

Volga Watch

POLITICS, FINANCE, ECONOMY AND INVESTMENT OPPORTUNITIES IN THE VOLGA RIVER BASIN

www.businesswatch.ru/vw

Number 2, Vol. III, March 2001

Letter from the Publisher

Why Volga River Basin? Why Volga Watch?

Dear readers,

Vista Publishers is proud to present Volga Watch, a business monthly covering developments in the economies of dozens of regions and republics in Russia.

The main purpose of the publication is to introduce this vast territory of Russia to international business community. The area is the core of Russia. Almost a third of Russian citizens live in this territory. It is highly industrialized. For example, almost all Russian automotive industry is concentrated here.

The area is an important junction in emerging trans-Eurasian transport corridors. In addition, it is a potentially huge consumer market.

At the same time, information on developments in the area, available to foreign businessmen, is scarce and inadequate for business planning. It is impossible to organize bits of information prepared by different sources with sometimes contrasting approaches into one comprehensive picture. The lack of information leads to the necessity of developing corporate strategy using a worst case scenario - the best shortcut to failure.

We at Vista Publishers think that international community needs a constant flow of timely and unbiased business information. We try to promote the regions and republics

we cover, but at the same time we present an objective picture of local developments.

We want to reduce noise in our information channel as much as possible, so we word our reports in a way that is confirmed as standard by expats. We use the formats of publications, which have been used in international business information community for years and are familiar to businessmen. Finally, we try to explicitly describe numerous implicit peculiarities, specific to Russian business environment, to help you better understand the way Russian business is done.

We hope that with the increasing integration of Russian business into the global one difficulties involved in international cooperation with Russian business will quickly evaporate, and we want to be instrumental in this process.

Our objective is serving our customers, both Russian and foreign, in the best possible way, so we concentrate on topics of particular interest for foreign business community and make our publication customer-tailored. To cover a broader area, we are currently extending our product line and diversifying approach to already existing products. See the box below for details.

We need your feedback. Your suggestions, letters and critique are welcome.

Victor Pershin

Vista Products

Nizhny Novgorod Business Annual Journal - overall investment opportunity and cultural presentation of the Nizhny Novgorod region and major players in its market. Currently available, free access to hard copies through mail delivery and/or electronically in .pdf and .html formats;

Volga Watch Business Monthly Bulletin - business developments and economic trends in the Volga River Basin. Currently available by subscription to hard copies and/or .pdf and .html versions;

Urals Watch Business Monthly Bulletin - business developments and economic trends in the Ural Mountains area. Available by subscription to hard copies and/or .pdf and .html versions within a month after request confirmation;

Businessman's Survival Kit, Nizhny Novgorod - in-depth economic and cultural portrayal of Nizhny Novgorod with addresses, phone numbers, useful contacts and business-facilitating tips. Available starting April on a commercial basis in both hard copies and electronically;

Interested in sector-specific quarterly reports? Vista Publishers is about to launch several sector-specific periodicals (**Volga Petrochemical Quarterly**, **Volga Automotive Quarterly**, **Volga Banking Quarterly** and some others) and is currently investigating market demand for this kind of analytical product across various international customer strata. To keep you abreast of ongoing developments and emerging trends in your requested sector, Vista Publishers is offering subscription to hard copies and/or .pdf and .html versions of this product.

CONTENTS:

Letter from Publisher . . 1

FOCUS ON
Nizhny Novgorod region:
Status Report. 2

Pre-Election Report . . 3

Astrakhan Report . . . 4

Bashkortostan
Report 4

Chuvashia Report . . . 6

Kirov Report 6

Mordovia Report . . . 7

Nizhny Novgorod
Report 8

Orenburg Report . . . 17

Penza Report 17

Perm Report. 18

Samara Report. 18

Saratov Report. 19

Tatarstan Report . . . 20

Udmurtia Report . . . 21

Ulyanovsk Report . . . 22

Vladimir Report 23

Volgograd Report. . . . 23

Yaroslavl Report 23

Daily news from the
Nizhny Novgorod
region
and regularly updated
Business reports from
the Volga River Basin's
21 republics and regions
www.vista.nnov.ru

Published by

 VISTA
P U B L I S H E R S

was first overrun, his reaction was nervous. Presently he hardly reacts to his apparently unstoppable slide.

Another camp of likely contenders features «I also run» figures who once were influential but lost their significance for various reasons. The most conspicuous figure in this group is Andrei Klimentiev, an unlucky businessman-turned-politician, elected the Nizhny Novgorod mayor in 1997 but sent behind bars instead. The other member of this duet is Dmitri Bednyakov, a former mayor of Nizhny Novgorod who was thrown off the 1997 mayoral election campaign by his former friend, Governor Boris Nemtsov, just a day before the voting.

Yet another group consists of ambitious politicians, predominantly with an administrative Young Communist League past. They have been pushing the idea of a regional government, as they see the structure as a way to the political or managerial top. Some seek to please ambitions, while others yearn for a successful carrier and their share in property reshuffles.

Communists have already been boisterous in view of the election, as well as other parties emerging on the regional political scene.

It is quite natural that both newcomers and new government structures will want to play a more important role in the regional power orchestration and support new political figures. However, they did not show any structured approach to the election. Until now.

Regional businesses have already put forward the idea of developing an Agenda for the governor, a program that best suits the regional interest as viewed by these businesses. The program will serve as litmus paper to test contenders for their adequacy for the governor's position.

It is highly probable that the officials from the Volga Federal District headquarters will also participate in the election in some way. For example, Sergei Obozov, chief inspector in the Nizhny Novgorod region, has been mentioned as a preferred candidate for the premier's post.

To complete the list, it is necessary to mention outsiders from Moscow who may try their luck in the periphery to climb to a next level in their political career.

The Nizhny Novgorod gubernatorial election is scheduled for June 2001 (changes may be caused by a communist-induced presidential campaign in summer). Observers predict quite a dirty squabble. Its signs are evident even now, four months ahead of the voting day.

Whether ideological or economic motivations can influence the choice of the sleepy regional electorate is yet to be seen. To channel people's liking and disliking, the PR community is preparing shows with candidates as protagonists - a sure thing to anticipate the highly probable fat money from. It will appeal to the feelings of the largely unsophisticated and passive electorate and create its prefer-

ences and resentments.

In any case, there is hope that election struggle will crystallize new strategies in the regional economic development and bring new people, more experienced in and adapted to the emerging Russian economic setting.

3. Financial woes

A new team will face rather bleak regional finance problems.

For many years the region has been a net donor to the federal budget. It is quite an unusual situation, as the region has no energy riches, the only source of prosperity the Russian regions. Generous contributions to the federal center would simply suck last remaining blood from the regional coffers. In 2001, the region may face bankruptcy in case such an approach remains unadjusted. Nervous movements to avoid a stalemate have been late and inadequate, as Moscow bureaucrats are used to seeing the region as an obedient donor (in contrast with more independent and introvert Tatarstan and Bashkortostan located nearby).

The situation is aggravated by unreasonably swollen debts piled up by the regional authorities. The US\$100 million Eurobond case is the most vivid example of inapt financial management.

Low wages and inability of regional financial sources to provide salaries for state employees on time cause sporadic splashes of social unrest in the region. The necessity to raise average wages is a major concern for the authorities, and the only source of funding is to get rid of the burden of financial transfers to the federal budget. Moscow-based financiers accustomed to uninterrupted money flow from the region loathe the idea. There are fears, however, that even this move will fail to fully cover the region's financial needs and it will turn into a transfer recipient from the federal center. Current wage levels keep citizens' purchasing power low. It is now deteriorating, as inflation is picking up speed again. Current wage levels also bar the regional economy from developing because enterprises cannot produce more to earn money for investments. Needless to mention that the circle turns into a vicious one.

... and its silver lining

There are two ways of qualitatively changing the situation, namely the evolutionary and revolutionary ones. Many aspects of the regional political system, economy and finance are ripe for deep changes. In fact, serious alterations are already emerging in the form of rapid reorganization in many areas simultaneously. Timing is lucky enough, as changes may reflect the new Russian mindset. It betrays aspiration for more orderly and lawful environment, for more efficient management, real transparency in finance and property rights, etc. If so, the region can regain its lost status of the capital of Russian reforms, a trading center of global significance and Russia's leading industrial and production site.

As Volga Watch editors view the providing of timely, unbiased and objective information on economic developments in the vast Volga River Basin as their main goal, opinions and ideas mentioned in the publication do not necessarily reflect those of the Vista Publishers. Giving space to different opinions is in line with the House's policy of presenting the whole spectrum of real economic life and discussions in business and scientific communities.



Astrakhan Report

Shipbuilding

Italy to construct a shipbuilding plant in the Astrakhan region. Italy's Rozetti Marino will create a joint shipbuilding venture in the Astrakhan region. The joint venture, called Rozbar, will be sited at Krasniye Barrikady ShipBuilding Plant. The project will focus on oil and natural gas extraction. The Italian company will be involved in market research, participate in tenders and be involved in the construction of oil-mining equipment.

USA to invest in the construction industry. Elko and Astrakhanspetsstroj, the two local construction leaders, visited the USA in February to take part in a tender organized by the United States specifically for Russian companies with the purpose of assessing investment opportunities in the area.

As a result of the competition, the Astrakhan builders won a gold medal, which means that the region will receive investment from the USA.



Bashkortostan Republic Report

State/Business Relationships

Bashkortostan to cooperate with Alfa-Eko. The Moscow-based Alfa-Eko Trade and Industrial Group and Bashkortostan's Ministry of Agriculture have signed a cooperation agreement on the delivery of Bashkortostan's flour, grain, sugar, vegetable oil and butter to the Moscow region. Alfa-Eko, in turn, will pay cash and supply 30,000 tons of diesel fuel to the republic's agricultural sector.

The meeting between Alfa-Eko and Bashkortostan's Bashspirt Alcohol Plant has targeted the possibilities of distributing Bashspirt's products in Moscow and the Moscow region.

Alfa-Eko has also held talks with Bashneft Oil Company to develop oil deposits on Sakhalin and other Russian territories.

Economic Indicators/Statistics

Bashkortostan's economic development report. Bashkortostan's economy boasted a number of positive changes in 2000.

The republic's gross product went up 4 percent from the previous year, amounting to US\$5.9b. Corporate output rose 8 percent, while the average production profitability reached 36-38 percent. Corporate revenues increased 70 percent.

Specialists reported the decrease of inflation and unemployment. However, indebtedness is still high. About 43 percent of industrial enterprises are unprofitable.

Local mechanical engineering industries becoming more reliable. The State Industrial Policy Committee has reported positive dynamics in the republic's mechanical engineering. Last year related industries grew twice as fast as the local industry as a whole. Most businesses had underwent full-scale reforms, which made them creditworthy and investable. For the first time in years, the republic's budget for 2001 provides funds for crediting companies.

Private businesses on the rise. The State Statistics Committee of the Republic of Bashkortostan reported on February 13 that the number of private businesses in Bashkortostan had increased in 2000 to 14,000. However, these firms still employ only five percent of the economically active population in the republic and therefore have potential for further expansion.

Agribusiness

International Specialized Show opens in Bashkortostan. Agro-2001, the Eleventh Annual International Specialized Show has opened in Ufa, the capital city of Bashkortostan. Exhibitors include 227 enterprises from Bashkortostan, Russia and overseas. On display is agricultural equipment, nutritional additives, recycling machinery and products, poultry and pedigree livestock.

Bashkortostan's agricultural sector report. Throughout 2000 the Republic of Bashkortostan gathered approximately 2.8 million tons of grain.

Notwithstanding the unfavorable weather conditions of 2000, the Republic of Bashkortostan gathered 1.1 million tons of wheat, 57,200 tons of buckwheat, 1.1 million tons of sugar-beet, 126,200 tons of sunflower, 24,900 tons of potato and 24,400 tons of vegetables.

The cattle-breeding industry generated 103,800 tons of meat, 645,500 tons of milk and 737.9m eggs. Milk enterprises' output went up 16 percent from the previous year. The meat industry increased meat and salami production 7.7 and 13.5 percent.

Automotive Industry

Bashkortostan's machine building report. Bashkortostan's machine building operation results for 2000 have been made public.

In 2000, the machine building industry generated US\$489.3m worth of goods. Physical volume increased 15.4 percent from 1999. At present the branch ranks third in the republic's total output (first and second places occupied by fuel and chemical industries).

Over the past year the machine building industry's exports went down. That stemmed from the decrease of exports by such industrial giants as KumAPP, UMPO, UPPO and Svet. Only NefAZ, Salavatgidromash and Motor achieved an increase in exports.

Banking and Finances/Taxation

Bashprombank is almost 50-percent state-owned. Government has become the owner of an almost 50-percent stake in Bashprombank, an Ufa-based commercial bank, Bashkortostan.

The State Property Management Committee, acting on behalf of the local

government, has purchased an additional block after Bashprombank got its twenty-third security issue registered in Ufa. The transaction has led to a sharp rise in the state involvement in this banking institution (from 0.0029 to 49.9999 percent).

Operation results of Bashkortostan's banks. Bashkortostan has reported its banks' operation results. Last year Bashkortostan's banks were characterized by increased activity. The given credits amounted to US\$2.07b, which showed a 2.8-percent rise from 1999. The banks' activity in the security market also improved. Nine banks out of the republic's fourteen participated in the creation of stock capital in 35 entities.

Throughout 2000 revenues of Bashkortostan's banks totaled US\$26.79m, which showed a four-time increase from the previous year. Transfers to all budgetary funds amounted to approximately US\$21m.

Bashkortostan's budgetary revenues in 2000. In 2000 the Republic of Bashkortostan's budgetary revenues totaled US\$1.97bn, which was a 1.8-percent increase from the previous year. Transfers to the federal budget were US\$467.86m, or 31 percent of the total amount, which showed a 2.3-percent rise from 1999. Total arrears decreased 16.3 percent. Arrears to the federal budget went down 2.5 percent and constituted US\$510.7m.

Consumer Goods industry

Bashkortostan's light industry experiences an economic upturn. Bashkortostan's light industry experienced an economic upturn in 2000.

The industry ranked first in output and second in the rate of economic growth among the regions of the Volga Federal district. (The leading position in the latter indicator was occupied by the Orenburg region). The light industry's revenues increased one-third and reached US\$7.04m, while a significant increase was reported in fabric and footwear production.

The number of people involved in light industry rose 16 percent. At present this amount constitutes over 21,000 workers.

Consumer Patterns/Purchasing Power

Bashkortostan's average wages in 2000. In 2000 Bashkortostan's average wages amounted to US\$67, which showed a 26-percent increase from the previous year. This figure ranked the republic 28th in Russia. Among the regions of the Volga Federal District Bashkortostan occupied the third place. The agricultural sector has the lowest wages, as it did the previous year.

Fuel/Energy

Bashneftekhim's operation results. In 2000 Bashneftekhim Oil Refinery's balance profit constituted US\$285.7, a 1.5-percent rise from 1999. The plant got 20m tons of raw materials. The depth of processing reached 71 percent, which exceeded Russia's average by 4 percent. Over this period Bashneftekhim launched 26 new products, including new trademarks of gas, diesel fuel and polypropylene cells. The factory's capital

investments amounted to US\$35.7m.

Metallurgy

Bashkortostan's copper and zinc production in 2000. In 2000 copper production rose while the production of zinc decreased. Copper and sulfur ore extraction constituted 3.588m tons, a 7-percent increase from 1999. The Bashkirsky Copper-and -Sulfur Combine mined 1.7m tons of copper, a 6-percent rise. The Uchalinsky Mining Combine extracted 1.67m, a 7-percent increase. The Buribayevsky Mining Combine's extraction amounted to 218,000 tons, a 10-percent rise.

Oil/Natural Resources

Bashkortostan's oil production. Bashkortostan's oil enterprises pumped 11.695m tons of oil for the year 2000, which was 0.5m tons less than in 1999. Most of the republic's extraction was Bashneft's, which pumped 11.524m tons. Aksaitovneft, Bashmineral and Zirgan extracted 93,000, 66,700 and 11,300 tons respectively.

Oil production falls. According to official information, oil extraction in the republic fell by 462,000 tons in 2000 to 11.69 million tons. Bashneft, the republic's leading oil producer, was responsible for all but 174,000 of the total production.

Oil as the best contributor to Bashkortostan's budget. Throughout 2000 oil extracting and oil refining industries made the most significant contribution to Bashkortostan's budget (24 and 20 percent respectively), showing an 8.8-percent increase from the previous year.

Other branches showed the following results: food industry - 7.6 percent of the total revenues, chemical and petrochemical industries - 7.4 percent, energy - 5 percent and machine building industry - 4.5 percent.

The light, wood and medical industries brought the least revenues (from 0.2 to 0.6 percent).

More promising estimates for natural resources. Geologists have added five million tons of oil to the republic's estimated reserves, as well as 30,000 tons of copper and 174 kilograms of gold.

Transport&Logistics

Ufa International Airport's operation results. Throughout 2000 the Republic of Bashkortostan's Ufa International Airport serviced over 671,000 passengers.

The airport became independent a year ago and, contrary to gloomy forecasts, has achieved much success. The enterprise sent and received over 3,000 tons of cargo and 267 tons of mail in 2000.

The airport's managers consider transport to be the indicator of the economic situation.

International

Belarus moving to Bashkortostan. The Belarus Embassy in Moscow has established its representative office in the Republic of Bashkortostan. The move was prompted by growth in economic cooperation. Trade between the two territories grew 500 percent last year. Both the Belorussian and Bashkortostani authorities envision lasting cooperation in all major industrial sectors.

Trade

Bashkortostan's foreign trade turnover in 2000. According to the Republic's Ministry of Foreign Relations and Commerce, Bashkortostan's foreign trade turnover in 2000 totaled US\$2.3b. Exports constituted the bulk of the amount (US\$2b).

Industrial products made for 90 percent of exports. The fuel complex more than doubled its supplies based on the favorable situation in international crude markets. Oil and petroleum products were responsible for 80 percent of all Bashkir exports.

At the same time, supplies of mechanical engineering products, motor vehicles and equipment shrank three times to total just four percent. Defense-related companies exported US\$117m worth of goods. However, woodworking, light industry and metallurgy exports brought less-than-expected revenue (under one percent).



Chuvash Republic Report

Economic Indicators/Statistics

Chuvashia's corporate output data.

Chuvashia's corporate output increased 10.3 percent last year to US\$700.8m. In December this indicator was calculated at 103.6 percent.

The significant part of the total output belonged to the machine building and metal working industries (44.1 percent), the food industry (14.2 percent), the energy (12 percent), the chemical industry (9.8 percent) and the light industry (8 percent).

In 2000 the light industry increased output 32.4 percent, the machine building and metal working industries to 17.7 percent, the chemical industry to 10.6 percent, the printing industry to 7.6 percent, etc.

Automotive Industry

Shumerlya Special-Purpose Automotive Plant's operation results.

The Shumerlya Special-Purpose Automotive Plant announced operation results for 2000. Balance profit at the enterprise increased 4.4 times and reached app. US\$946,400. Sales rose 2.4 times and constituted US\$7.6m. The plant generated US\$7.09m worth of products that constituted a 2.2-time increase from 1999.

Cheboksary Motor Repair Plant's operation results. In 2000 the balance profit at the Cheboksary Motor Repair Plant increased 5 percent from 1999 and reached US\$89,285. Over this period, the enterprise generated US\$1.803m worth of products that constituted a 40-percent rise from the previous year. The physical volume index was calculated at

100 percent. Sales amounted to US\$1.804m.

Banking and Finances/Taxation

Chuvashia's tax revenues. Throughout 2000 the Republic of Chuvashia collected US\$173.65m in taxes, which meant a 43.1-percent increase from 1999. Federal coffers received US\$71.4m - a 55.6-percent increase from the previous year. Monetary inflows increased 2.1 times up to US\$163.97m. The sales tax was the most considerable item of budgetary revenues - US\$13.15m.

Consumer Pattern/Purchasing Power

Consumer price report. In January 2001, the consumer price index was 101.7 percent, as compared with December, 2000.

The food product price index was 102.2 percent. The goods-other-than-food price index was 100.9 percent. The paid services price index amounted to 100.8 percent. Prices for products and services increased 23.6 percent. The biggest rise in food products was potato prices - up 7.8 percent. Fruit and citric plants were up 12.6 percent and vegetables up 13.4 percent. Cheese prices rose by 8.2 percent, while alcoholic products and egg prices went up 5.2 and 4 percent respectively.

Gas prices decreased 2.2 percent. The producer price index was 101.1 percent. Prices of lumber, woodworking, light, chemical and petrochemical industry, and food industry increased 1.4, 1.5 and 2.1 percent respectively. Energy prices went slightly down, by 0.1 percent.



Kirov Report

Economic Indicators/Statistics

Industry statistics. As of January 1, 28,300 entities were operating on the territory of the Kirov region. This is official information provided by the local State Statistics Committee. The most considerable number of enterprises - 13,500 - was reported in Kirov, the capital city of the region. Trade and public catering constituted 24 percent of all organizations. Agriculture and manufacturing industry took 13.1 and 11.7 percent respectively. Private companies constituted 63 percent.

Among the domineering industries are lumber, mechanical engineering, food and consumer goods companies.

Consumer Goods industry

Kalinka Fur-Producing Enterprise goes international.

Kalinka Fur-Producing Enterprise (Kirov region) has been earning a growing international reputation. The plant now has partners in Italy, Spain, Canada and Germany. The company has also established subsidiaries in Izhevsk, Nizhny Novgorod, Tyumen, Krasnoyarsk, Perm, Yekaterinburg and Omsk.

The plant recently won a gold medal for its participation in the "Buy Russian" campaign and was received its prize during Russian Fashion Week.

Engineering

Innovation projects of the Kirov region's Elektroprivod. The Kirov region's Elektroprivod is developing a number of innovation projects.

For the lumber industry, automated dryers are being developed, which will improve the quality of wood. The firm has also acquired a patent for a press to produce various kinds of alloys. Another project is a transportable plant to eliminate the consequences of oil leakage.

The plant is also designing gas-transfer and atomic stations.

Food/Beverages

Afanasyevsky Butter Combine launching new production line. The Kirov region's Afanasyevsky Butter Combine has launched a new milk-packaging production line.

Trade

Foreign trade turnover. According to official statistics, the Kirov region's foreign trade turnover totaled US\$425m last year, a 40-percent rise from 1999. Exports totaled US\$390m. Imports amounted to US\$35m. A favorable balance was calculated at US\$355m. Trade with foreign countries totaled US\$395m while with CIS member countries - US\$30m.

Wood/Timber

Moscow's DOK-17 to own 22 percent in Kirovlesprom. A new board of directors was announced at a stockholders' meeting at the Kirovlesprom Lumber Enterprise in March. This managerial shuffle followed a change in the state-controlled company's ownership structure. The government had sold its stake to the Moscow-based DOK-17

Company. DOK-17 now has 22 percent of Kirovlesprom's shares.

Kirov region's lumber industry to be backed by foreign investors. Foreign investors are interested in the lumber industry of the Kirov region. Sweden's Medan visited the Oparinsky District of the Kirov region where it is planning to construct a semiautomatic plant producing sawn materials.

Mordovia Report

Economic Indicators/Statistics

Foreign investment in Mordovia in 2000. In 2000 foreign investment in the Republic of Mordovia increased 1.6 times from 1999, to US\$2m.

Industrial output on the rise in Mordovia. Elektropyramitel, an electric equipment producer, Lisma Lighting Plant and Saranskabel Cable Plant have fueled Mordovia's industrial growth by 19-percent. Revenue reached US\$535.7m.

Communications in Mordovia is also a growing sector of the economy. Svyazinform has become Russia's second enterprise to become ISO certified. Mordovia is also second in the Volga-Vyatka Economic Region in housing construction. (Chuvashia ranks first).

Consumer Goods industry

Mordovia's consumer goods production. In 2000 Mordovia's industrial enterprises generated consumer goods worth US\$188.6m, which showed a 36.5-percent increase from 1999. Food and alcohol products amounted to 37.7 and 11 percent of the total consumer goods output. Non-food products totaled 51.2 percent.

Engineering

Mordovia's Lisma has the best sales in a decade. In 2000 Mordovia's Lisma, Russia's leading producer of indoor and street lighting systems, reported revenue of US\$71.4m. It was the most successful year for the enterprise since 1991. Main indicators rose 151 percent.

The only weakness was sales of household lamps. To stimulate demand, the plant intends to invite designers from Italy to create new a product line. In 2001 Lisma expects to increase production.

Saransk Instrument-Making Plant's tonometers have 60-percent market share. The Saransk Instrument-Making Plant's tonometers have a 60 percent share of the Russian tonometer market, the company reported.

Food/Beverages

Holland's Sebeko to invest in Mordovia's sugar. Holland's Sebeko International Projects will invest in the reconstruction of Mordovia's Romadanovsky Sugar-Producing Plant.

Approximately US\$9 to 11m will be invested in the program, which will be implemented within 3 to 4 years. The plant is going to provide the republic with its full amount of sugar intake and raise sugar production to 40,000 tons.

Mordovia cooperates with the British Sun Interbrew Brewery.

In mid-February a meeting between the management of the Saransk Brewery (Mordovia) and Sun Interbrew Brewery (Great Britain) took place. The latter owns a block of shares of Mordovia's plant. The meeting targeted the further cooperation between the countries.

In 2001 the Saransk-based brewery is expected to transfer to the republic's coffers US\$3.4m.

Fuel/Energy

Mordovia's Elektropyramitel engaged in energy saving research.

Elektropyramitel, an electric equipment producer, based in Saransk, the capital city of Mordovia, has launched the production of highly effective, energy saving amplifiers. The project is included in the Republic of Mordovia's social and economic development program and is backed by the republic's government. The new amplifiers save about 40 percent of energy.

Trade

Mordovia's retail trade data. The Republic of Mordovia's State Statistics Committee has made public Mordovia's retail trade data for 2000. In 2000 retail trade turnover totaled US\$188.2m, which constituted an eight-percent increase from 1999.

Trade turnover at big and medium-sized trade entities amounted to US\$16.5m. Small businesses' share was 30 percent.

Food products constituted 60 percent of the turnover, while non-food products accounted for 40 percent.

Mordovia's foreign trade turnover for 2000. According to the local State Statistics Committee, in 2000 an increase in Mordovia's foreign trade turnover. This is official information provided by the republic's government. Foreign trade turnover totaled US\$47m, which showed a 14.9-percent rise from the previous year. Throughout the year trade with foreign countries amounted to US\$30.1m.

Mordovia's foreign trade turnover in January.

In January 2001, Mordovia's foreign trade turnover totaled US\$2.535m, a 2.4-time year-on-year increase. The republic mainly imported equipment, mechanical devices and organic compounds, and exported electric machines and manufacturing equipment, and rubber products. Foreign trade transactions were carried out by 24 enterprises. Mordovia's main partners were Kazakhstan, Ukraine, Germany, China and the USA.



Economic Indicators/Statistics

Mordovia ranks fourth in industrial output.

According to Mordovia's economic development agency, the republic ranks fourth among the regions of the Volga Federal District. In 2000 industrial growth rose 19 percent. Output was calculated at US\$535.7m.



Nizhny Novgorod Report

Region/Federal Center Relationships

Federal officials back administrative innovations. Chief Federal Inspector in the Volga Federal District, Sergei Obozov, believes that the idea of the regional Government, currently being debated in the Nizhny Novgorod region, should be complemented by similar debates over the Nizhny Novgorod City Government.

Both the governor of the Nizhny Novgorod region and the mayor of Nizhny Novgorod must not lose focus by detaching their attention to minor, day-to-day managerial problems. According to the high-profile federal official, the idea of the city Government is well in line with law and just requires minor amendments to the City Charter. It is also backed by administrative precedents worldwide.

Sergei Kiriienko enjoys media adoration. According to a rating published by the Kommersant-Vlast Weekly, Moscow, the President's Plenipotentiary in the Volga Federal District, Sergei Kiriienko, is considered the most influential of all of his top-ranking colleagues in the remaining six federal districts. He is immediately followed by the Southern Federal District's Victor Kazantsev and the Ural Federal District's Pyotr Latyshev.

State/Business Relationships

Working pro-competitive. According to Nizhny Novgorod Vice-Mayor for Economic Affairs, Industrial Policy and Entrepreneurship Gennady Balandin, a special program will be elaborated in the city aimed at enhancing local industries' competitive advantages and improving the quality of their products.

Sklyarov wants to manage state-owned property in local companies. Nizhny Novgorod Governor Ivan Sklyarov intends to request the Russian Government and the State Council for state-owned stakes in Nizhny Novgorod companies.

He believes that government property should be transferred to the Regional Administration's trust management. The governor is lobbying for the creation of local branch holdings with the Administration keeping it under control. Relevant industries include radio electronics, chemical factories and automotive plants.

In Mr. Sklyarov's opinion, the transfer in question would allow regional authorities to efficiently influence these industries' policy, act as coordinator of their activity and attract investment on their behalf.

Economic Indicators/Statistics

Sklyarov on positive economic trends. Governor Ivan Sklyarov briefed Moscow reporters on January 31 during the Nizhny Novgorod Business - 21st Century Outlook press conference on positive trends that presently emerge in the Nizhny Novgorod region's economy.

The governor emphasized that the region now provides about 2.5 percent of the GDP and over 3 percent of the country's industrial output.

The region boasts a well-developed indus-

trial base with an emphasis on mechanical engineering (52 percent of the total output), and about one-third is generated by defense-related enterprises. There are 642 large and medium-sized companies in the Nizhny Novgorod region, which represent 11 major industries. The chemical and petrochemical sector is responsible for 9.3 percent of the total output, followed by food industry (8.5 percent), energy generation (8.2 percent) and ferrous metallurgy (7.9 percent).

The regional Administration pays special attention to foreign and domestic investment in the local economy. The current share of foreign investment accumulated in the regional GDP is eight times the Russian average.

Regional authorities have created a workable small business support mechanism. There are 17,000 small firms and 74,000 individual entrepreneurs operating efficiently in all major industries. The region holds a respectable ranking on the Top-10 list of Russia's 89 constituents in a number of small businesses, conceding leadership only to Moscow the Moscow region and Saint Petersburg.

Nizhny Novgorod's 2000 social and economic development. The Administration of Nizhny Novgorod has summed up the results of the city's economic development in 2000.

Basic macroeconomic estimates were met last year. However, local industrial enterprises sustained a serious loss in profit as compared to the previous year (just 29 percent of 1999 results). Officials cite incessant rises in energy tariffs as the main reason behind this setback. In addition, the city's tax revenue shrank considerably. The Tax Office failed to collect US\$2.5m+ in expected income tax inflows.

Despite this bleak background, positive trends were cemented in the city's welfare system. Local low-incomes received several new stores and pharmacies with lower-than-average prices. Average monthly wages kept rising, with wage arrears contracting 1.7 times.

More industries operating in the red. Vladimir Voronov, director of the Nizhny Novgorod Regional Department of Industry, reported on February 19 a slump in local industrial enterprises' profitability.

The indicator fell from 1999's 11.7 percent to 6.5 percent last year. Mechanical engineering performed at the least profitability level (3.1 percent), while ferrous metallurgy exceeded the regional average for last year (6.8 percent). Obviously standing out in this parameter are the electrical energy sector and forestry/woodworking industries operating at 16.8-percent profitability.

Administrations/Legal Issues

Embracing the legally unembraceable. A noteworthy legal drama is unraveling in the Nizhny Novgorod Regional Court. The pivotal figure - and the main defendant - is a former deputy of the Nizhny Novgorod City Legislative Assembly, Olga Chechulina.

In fact, Ms. Chechulina was making a perfect match between her law-making and law-breaking activities as the businesswoman-turned-politician is facing serious charges,

which include a conspiracy to cheat and forge documents, tax evasion and money laundering. As stated in the case paperwork, Ms. Chechulina embarked on illegal activities in 1998 and has committed grave felonies ever since. Obviously using her post in the City Duma, she established a firm acting as a dealer for the GAZ Automotive Works. After that entity became unprofitable she created another company to engage in money laundering.

Four managers of this company are facing charges alongside their boss.

Governor expresses his opinion about the regional Government. Governor Ivan Sklyarov has stepped in to join widespread debates over the Nizhny Novgorod Region Government issue.

His initiative to be considered by the regional Legislative Assembly allows the governor to appoint chairman of the Government. For an appointment to come in full force, it must be approved by at least 50 percent of regional lawmakers. The chairman is obligated to come in agreement with the governor over his appointments in the Cabinet. Key positions in charge of economic, financial and property-related affairs are to be additionally approved by the Legislative Assembly. Government operates within the governor's term in office and relinquishes power after new Cabinet members have been selected. The governor is empowered to sack his government after an approval from at least two-thirds of regional legislators.

In Vice-Governor Alexander Batyrev's opinion, the regional Government can be instituted in three months already. He has not specified as to candidatures but mentioned that a baseline selection has already been made.

According to Chairman of the regional Legislative Assembly, Anatoly Kozersky, the formation of a government structure will help ensure the succession of power and limit a number of contenders during a gubernatorial election campaign. In addition, the novelty will check attempts on the part of contenders and their financial backers to influence the region's economic activity over the period. Mr. Kozersky emphasizes that the idea of a government structure is by no means the Governor's private invention but a requirement stated in a federal law pertinent to the principles of regional power framework build-up, and the Nizhny Novgorod region is mandated to abide by this law. With all adverse circumstances taken into account, the regional Government is to be instituted before October 16, 2001, the deadline stipulated by the law.

Mayor seeks to revolutionize the city economy. Nizhny Novgorod Mayor Yuri Lebedev believes the city needs a revamped economic policy. He voiced the idea at a meeting with industrialists and businessmen on February 14.

The city economy has been steadily growing for three years, he said, and tax collection has been on the rise. But these favorable developments have failed to ensure improvements in Nizhegorodians' living standard. People have to hold on with the miserable 40 to 60 dollars a month. The mayor insists that only a comprehensive cost-efficiency program for local companies can lay the founda-

tion for such improvements. The program should cover all possible areas, from energy saving to management cost, and help industries generate more wealth to share with employees.

Legal action taken in connection with Krasnoye Sormovo. The Nizhny Novgorod Court of Arbitration is working on a lawsuit filed by the Nizhny Novgorod-based Almaz M Company.

The plaintiff is suing its subsidiary, Volga M, which sold more than 10 percent of the Krasnoye Sormovo Shipyard property on November 27, 2000 to another local company, Line. The parent company was unaware of the deal.

Just a week after the transaction the Line Company resold the stake in question to the United Mechanical Engineering Plants Group run by Kakha Bendukidze. As the result, the group took hold of the shipyard's major piece of property. The market price of the stake sold by Line was at least US\$7m.

Aerospace Industry

Sokol Aircraft-Building Plant to launch the Yak-130 project. Nizhny Novgorod's Sokol Aircraft-Building Plant has signed a contract with the Yakovlev Design Bureau for the production of Yak-130 fighters for training purposes.

The plant has finally seen one of its most significant projects moving. According to CEO of Sokol, Vasilii Pankov, the company has received an order for four aircraft, the two test-flying and two ground-simulator ones.

As for Sokol's another promising project, the Gzhel business-class airplane, the company has produced six M101 Gzhel planes so far. The sixth machine, made just recently, is to complete thorough testing in September. The testing and certification procedure is being financed by Sokol's largest stockholder, Kaskol Corporation.

Last year the aircraft-building company forwarded to the United States two Dolphin-class aircraft assembly sets. The management envisions steady demand for the plane this year and plans to export 17 more machines of this type.

Automotive Industry

GAZ contesting its right to supply special-purpose machinery to the UAE. Management of GAZ, the Nizhny Novgorod region's largest automotive company, believes that GAZ' subsidiaries and major suppliers of special-purpose machinery, Zavolzhsy Crawler Vehicle Plant and Arzamas Mechanical Engineering Plant, should develop alongside the parent company.

CEO of GAZ, Victor Belyayev, emphasized during a press-conference that Russia had no other enterprises to have similar expertise in the production of military and special-purpose machinery. Envoys from the Russian Ministry of Defense visited GAZ in late January and signed a memo of intent, which stipulated further deliveries of armored vehicles and Sadko medium-tonnage trucks.

But GAZ and its subsidiaries eye lasting cooperation with foreign companies too. Specialists from the United Arab Emirates arrived at the parent enterprise in mid-

Economic Indicators/Statistics

Nizhny Novgorod City Duma to look at an economic forecast. Deputies of the Nizhny Novgorod City Legislative Assembly has started considering documents that contain an economic and social development forecast for 2001.

Nizhny Novgorod City's industrial output is expected to grow 22.9 percent and reach US\$3.873b. Gross profit will rise 4.5 percent and reach US\$328.57m. Chemical and petrochemical industries are forecast to ensure the maximum increase in output (174.6 percent of last year's statistics).

As a stimulus measure, the Mayoral Office intends to sign a number of agreements on profit tax credits for local industries. Assistance in the development of the territorial-production zones in Nizhny Novgorod City (a special term for enterprises that enjoy preferential treatment in taxation) is outlined as an economic priority for this year. Tax breaks for such industries are projected to be worth about US\$357,140.

An estimated volume of investments is to reach US\$214.29. The Nizhny Novgorod City population is expected to shrink 0.5 percent to 1,345,000 people. The unemployment rate is seen on the rise from today's 0.58 to 0.88 percent.

Automotive Industry

Bor to mass-produce storage batteries. A sizable automotive storage battery production facility has opened in the settlement of Bolshoye Pikino, Bor district. Total investment is over US\$200,000. Equipment has been leased by Spain's Tudor Company. The 80-strong business will be producing high-quality batteries utilizing advanced European techniques.

The first stage of the project implementation involves the assembly and charging of storage batteries with a total worth of US\$17,800 a year. Further stages are to ensure the output of up to one million batteries a year. Rated annual sales estimates for the spin-off period are US\$17.86m. Management is eyeing investment sources from overseas (US\$15m required) and envisages a boost in annual sales to US\$35.71m.

February to discuss possibilities for special-purpose machinery deliveries to their country. They had seen samples at a traditional exhibition in Abu-Dhabi, the UAE.

GAZ back on track. According to the executive director of the GAZ Automotive Works, Victor Maslennikov, policies adopted by the car manufacturer's new management have already borne fruit.

The deputy CEO associates positive results achieved in January with the elimination of a previously flourishing system of barter and promissory note settlements. All estimates on sale proceeds were met, and the enterprise earned US\$35.7m in January. The management plans to put an emphasis on selling spare parts as another major source of receipts alongside motor vehicle marketing.

Drama unraveling over the Zavolzhsy Engine Plant. Nizhny Novgorod Vice-Governor Alexander Batyrev has confirmed the fact that Severstal JSC purchased a 26-percent stake in the Zavolzhsy Engine Plant (ZMZ), Nizhny Novgorod region.

But a word has come from a well-informed source that Severstal already owns unofficially the controlling stake in the company, which is the main engine supplier to the Nizhny Novgorod-based GAZ Automotive Works. Observers believe that the powerful corporation needs ZMZ' property to blackmail the present GAZ management and impose its will in marketing ZMZ products. (The quality of ZMZ engines currently leaves much to be desired.)

Severstal-controlled structures have a history of attempts to take over the automotive enterprise by actively buying out GAZ' payables (presently standing at US\$360m) with an eye on forcing its former management to initiate a bankruptcy procedure.

GAZ reports operation results in January. Management of GAZ has made public the company's January production report.

The leading car manufacturer commissioned 12,801 motor vehicles, up 12.5 percent from December 2000 results. Of the total number, 5,356 cars, 6,194 trucks and 1,251 minivans were produced.

The company supplied 10,134 assembly sets to assembly facilities throughout the former USSR, 725 sets over the preliminary estimates for January. All settlements were made in the monetary form.

Severstal management: we are interested in co-operation, not blackmailing. The management of Severstal, a Russian leader in metalworking, has publicly denied rumors about the company acquiring a 26-percent stake in ZMZ, a large engine producer from the Nizhny Novgorod region.

A spokesman for the concern told reporters on February 8 that Severstal had never participated in stock market transactions over ZMZ shares. In fact, its local subsidiary, Severstal-Invest, is the owner of ten percent of ZMZ property, but no more purchases have been made.

The reason why Severstal is interested in ZMZ lies with its last year's buying of a hefty stake in the Ulyanovsk Automotive Plant, UAZ. UAZ uses up to 50 percent of ZMZ engines, and Severstal's intention to back its

business by having a share in ZMZ property is very natural, the spokesman said. But no specific plans as to how much will be bought or when a deal will be struck have been worked out so far.

The spokesman also tried to dispel his company's image as a blackmailer of the GAZ Automotive Works, to which ZMZ is the leading engine supplier. The metalworking concern plans to increase rolled metal deliveries to GAZ in 2001, which means Severstal has conceived no destructive intentions.

New board membership approved at GAZ. The board of GAZ directors held a meeting on February 13. Its participants approved new membership of the Executive Committee established in the framework of innovative managerial mechanisms adopted by CEO Victor Belyayev and his team. The Committee now features 15 members instead of 19 in the previous body.

In addition, the board discussed a number of day-to-day issues. A decision was made to establish a minor affiliate to be charged with component and raw material purchase management on behalf of the GAZ Automotive Works and its subsidiaries regionwide. Also planned is the establishment of a construction subsidiary to act as prime contractor in construction projects undertaken by GAZ.

High-profile rumors denied. A spokesman for the President's Plenipotentiary in the Volga Federal District has denied rumors widespread by Severstal, a powerful metalworking group that recently bought a stake in the Zavolzhsy Engine Plant (ZMZ), a large engine producer in the Nizhny Novgorod region.

Prior to the official announcement of the transaction, the Severstal management threw a PR campaign depicting Sergei Kiriyyenko as a backer of the deal. His staff, however, have advised the general public that Mr. Kiriyyenko had no idea about Severstal purchasing a sizable portion of ZMZ property, as none had informed the Plenipotentiary about it. The spokesman has emphasized that CEO of Severstal, Alexei Mordashov, could not have got support from Sergei Kiriyyenko, as the latter is never in a haste when it comes to approving transactions over socially-significant companies in the region.

Kiriyyenko's staff members consider the unauthorized use of the Plenipotentiary's name as an attempt to promote misleading interpretation of the situation by both ZMZ managers and the general public.

ZMZ purchase officially confirmed. CEO of Severstal, Alexei Mordashov, has confirmed the purchase of a large block of ZMZ shares by this metalworking company from the Vologda region. He was quoted as saying, "Severstal has become the Zavolzhye Engine Plant's largest stockholder." Mr. Mordashov visited the Nizhny Novgorod region and the city of Zavolzhye in particular a few days ago, and felt positive about the decision to buy property there.

Severstal needs ZMZ to ensure steady supplies of diesel engines to the Ulyanovsk-based UAZ Automotive Plant, recently acquired by the company. Severstal is going to invest in a diesel engine project at ZMZ. Mr. Mordashov expects to turn UAZ to profitability with

Zavolzhye-made engines this spring already. ZMZ' long-standing collaborator and engine consumer, the Nizhny Novgorod-based GAZ Automotive Works, will remain Severstal's priority partner, said Alexei Mordashov.

GAZ to create an automotive and mechanical engineering giant. Nikolai Pugin, president of GAZ Automotive Works, Nizhny Novgorod, has announced the creation of an enormous automotive and mechanical engineering holding.

At the moment, the legitimizing procedure for this project is under way. GAZ will provide the base company for the giant structure. The idea is aimed at launching the production of cars and medium- and heavy-tonnage trucks. The holding is to incorporate GAZ, Pavlovsky Avtobus (a leading bus maker, Pavlovo, Nizhny Novgorod region), Arzamas Mechanical Engineering Plant (Arzamas, Nizhny Novgorod region), Zavolzhye Engine Plant (Zavolzhye, Nizhny Novgorod region), a large group of Minsk- and Yaroslavl-based car manufacturers, Ural Automotive Plant and a number of companies that specialize in construction and road building machinery and public utility vehicle production.

No specification as to who is going to be the largest stockholder in the behemoth has been made available so far.

Severstal swapping ZMZ debt for a nice image. Severstal, a Russian ferrous metallurgy giant and currently the largest stockholder of the Zavolzhye Engine Plant (ZMZ), Zavolzhye, Nizhny Novgorod region, has repaid ZMZ' overdue arrears to the federal budget in the amount of app. US\$4.64m. The fact has prompted observers to think more favorably of the newcomer's true intentions in acquiring ZMZ, a large producer of diesel engines.

GAZ to face bankruptcy? A word came from Moscow's Ekho Moskvy radio station on February 20 that Nizhny Novgorod's Tax Inspection was about to initiate a bankruptcy proceeding against GAZ Automotive Works.

The astonishing news came with the editor's interpretation of a report delivered by the Chief Tax Inspector in the Nizhny Novgorod region, Yuri Yefremov, during a meeting at Nizhny Novgorod Mayor's Office. Newsmen emphasized that, we quote, "Yuri Yefremov said that the measure was caused by GAZ' overdue income tax arrears."

However, an excerpt from his actual speech on February 19 in Nizhny Novgorod denies the information aired by Ekho Moskvy. In fact, Mr. Yefremov did mention GAZ' US\$4.24m debt to budgetary funds. He also advised the audience about an inspection conducted last year at the region's leading car manufacturer and largest nominal taxpayer. Inspectors found little progress in debt repayment, and an inspection report was submitted to the Regional Tax Police Office for consideration. No clear-cut decision was mentioned by Mr. Yefremov. Actually, the Tax Police Office is not authorized to initiate bankruptcy proceedings.

At the moment, the GAZ management is lobbying for a delay in its US\$4.54m debt repayment (income tax plus fines). A draft document that would allow GAZ to do this is rumored to have appeared, but no official

confirmation has come so far.

RUMO diesel engine producer reports a rise in January output. Russkiye Motory (RUMO), a dynamic diesel engine producer in the Nizhny Novgorod region, has reported a 16-percent year-on-year increase in output.

According to data provided by the company, January sales rose 61.1 percent to US\$571,430. RUMO's gross profit was up 3.3 times from January 2000 and reached US\$17,860.

Its payables swelled over the reported period by US\$357,140. They stood at US\$2.63m as of February 1, 2001. The company's receivables were down US\$1.23m to US\$4m.

GAZ management has apprehensions. CEO of Nizhny Novgorod's GAZ Automotive Works, Victor Belyayev, has admitted to the fact that a gap has appeared in cooperation with Zavolzhye Engine Plant (ZMZ), taken over recently by the Vologda region's Severstal, a national ferrous metallurgy giant.

Mr. Belyayev insists, however, that no "war" is being waged between Sibirskiy Aluminium, which he represents, and Severstal. Nonetheless, the director claims that he has certain apprehensions.

The relationship between GAZ and ZMZ deteriorated after the Nizhny Novgorod-based car manufacturer set equal terms and conditions for all of its component suppliers. ZMZ as GAZ' principal engine supplier was the only partner to start bargaining for preferential treatment when it came to scrapping non-monetary settlement schemes (barter, offset, etc.). Now ZMZ has got its new owner whose plans and intentions have never been made clear thus far. Mr. Belyayev says that his worry stems from uncertainty as to why Severstal has come to the automotive sector.

The CEO is determined to stand firm against any attempt to impose conditions that contradict GAZ strategic interest.

Sberbank backs SibAl's efforts to enliven GAZ. According to GAZ president Nikolai Pugin, the Sberbank Savings Bank granted the Sibirskiy Aluminium Group (SibAl) a US\$170m credit to be repaid within a year to develop production at the GAZ Automotive Works.

The money is to be primarily used for the production of Steyr diesel engines and new off-road vehicles. According to Mr. Pugin, GAZ needs US\$100m in investments annually.

A word has come from the regional administration, however, that SibAl may take another look at the situation and use part of the credit to purchase GAZ' US\$100m liabilities to the European Bank of Reconstruction and Development.

GAZ to sign a long-term contract with its major engine supplier. The Nizhny Novgorod-based GAZ Automotive Works is currently in talks with its major engine supplier, Zavolzhsy Engine Plant (ZMZ).

According to Alexander Konyukhov, ZMZ financial director, GAZ arrears to ZMZ for engines already supplied exceed ZMZ employees' aggregate monthly wages by five times. The amount is considerable, despite the fact that ZMZ has been supplying engines to GAZ at a below-cost price.

The engine plant is ready to restructure the GAZ debt. March is the deadline for the two sides to reach a long-term agreement on this.

Automotive Industry

New board at AMZ.

The Arzamas Mechanical Engineering Plant (AMZ), which produces special-purpose armored and all-terrain vehicles, held its stockholder meeting on February 24.

There were three major topics on the agenda, namely the introduction of the company's new Charter, the dismissal of the old board of director and the election of a new one. The plant's seven-member board now features four representatives of the Sibirskiy Aluminium Group, the largest stockholder of the GAZ Automotive Works. (For a note: GAZ is itself the owner of the largest stake in the Arzamas-based company.)

Banking and Finances/Taxation

Workers to receive no more cash. Nizhny Novgorod's Volga Steamship Company will no longer be wasting time in long queues waiting for wages by the accountant's desk. They will start receiving their pay through personal plastics introduced by a local banking leader, ALFA-Bank.

The project involves the introduction of international Visa Electron/MasterCard and Visa Classic plastics and is to be implemented in two stages. First, cards will be issued to the company management, followed by crews of sea-going ships under the company's jurisdiction. Crewmembers will therefore be able to get cash from any machine abroad.

Furthermore, ZMZ is contemplating an opportunity for increasing engine supplies to GAZ from today's 15,000 (70 percent of the same period in 2000) to 20,000 or 25,000 unit with a discount depending on the scope of supply.

Banking and Finances/Taxation

New partnership established. Three Nizhny Novgorod banks entered strategic partnership in mid-February. The Bor Commercial Bank joined a related bilateral agreement between Sarovbiznesbank and Garantia. The move resulted in the creation of an investment company. Furthermore, a merger between Sarovbiznesbank and Garantia within the newly formed structure is said to be under discussion. This may facilitate the implementation of larger projects with regional majors like NORSI Oil Refinery and Nizhnovenergo. Useful experience, which Garantia has gained in mortgage crediting, is sure to be a nice touch to the prospective entity. Garantia's capital ranks the bank second in Nizhny Novgorod City (after Nizhegorodpromstroibank) and third in the region (following its present close ally, Sarovbiznesbank).

Nizhny Novgorod's tax collection report for 2000. The Nizhny Novgorod region's consolidated budget received over US\$750m in taxes last year, up one-third from 1999. As stipulated by the federal law, 60 percent of the amount was transferred to the federal budget and the remaining 40 percent replenished the regional coffers.

Tax revenue in the monetary form as opposed to promissory notes and offset mechanisms accounted for over US\$607m, 90 percent of the total. Large tax debtors, such as the Gorky Railroad and Nizhnovenergo, accelerated the repayment of their arrears. The GAZ Automotive Works, however, failed to honor 18 percent of its current financial obligations. The information has been provided by the Tax and Duty Ministry's field office.

Tax collection: current situation. A spokesman for the Tax and Duty Ministry's field office informed the general public that 15,000 enterprises in the region are in debt to the regional budgetary funds.

Of the number, 7,000 have already been liquidated or their managers have been prosecuted for economic felonies with little or no prospect for full debt collection. Therefore tax officers estimate the amount of non-recoverable debt at approximately US\$143m.

In 2000, 350 companies went legally bankrupt through their inability to repay arrears. An aggregate debt restructuring amounted to as much as US\$179m worth of postponed payments.

Sarovbiznesbank reports its 2000 profit. Sarovbiznesbank's basic financial indicators tripled in 2000 - a good result for a young Nizhny Novgorod bank.

The bank's profit accounted for US\$1.96m, a certain rise from 1999's US\$643,000. Its internal funds grew 2.57 times from the previous year to reach US\$12.71m. Clients' money amounted to US\$71.43m. The bank also reports a 2.2-time rise in individual deposits over the year 2000.

The bank confirmed its status of a professional security market player in Russia.

Sarovbiznesbank was authorized by the Federal Security Commission to perform as dealer, broker and security manager.

The bank is to intensify its activity in the plastic card market. Visa cards will soon be available to Sarovbiznesbank's clients.

Two regional banks form a new financial company. The Nizhny Novgorod-based Regional Investment Support Agency has assisted in the creation of a special entity to engage in attracting investment in the region's industrial enterprises.

The Region Invest Consult-Privolzhye incorporates the Nizhny Novgorod region's leading banks, Sarovbiznesbank and Garantia. The former has performed really well over the post-crisis period thus winning new and loyal clients, and securing a high ranking in banking ratings that cover Russian regions. The latter has been developing dynamically with the primary focus on crediting the real sector and small businesses rather than playing risky games with securities.

Cultural monuments will wait. Regional lawmakers dedicated their February 15 meeting to the only issue, namely the draft law on the 2001 budget. Present at the meeting were Governor Ivan Sklyarov, Vice-Governor Alexander Batyrev, Nizhny Novgorod City Legislative Assembly Sergei Abyshev and other officials.

However, the discussion was stalled, as legislators had conflicting opinions on most of items debated. The 2001 regional budget was not approved. The issue of financing the restoration of cultural monuments was put off until better times. Deputies cited the lack of funds. At the same time, they unanimously found extra funds to allocate US\$364,280 for the repair of the Regional Legislative Assembly building, i.e. their building.

EBRD becoming a stockholder in NBD-Bank. The European Bank of Reconstruction and Development is becoming a stockholder of the Nizhny Novgorod-based NBD-Bank.

After the crisis of 1998 NBD-bank is the first of Russia's banks to start similar cooperation. The EBRD is purchasing 25 percent of the bank's shares.

At the beginning of 2000 the capital of NBD-Bank was estimated at US\$4.57m. Taking into consideration the new stockholder's investment, at the end of the year the bank's ownership capital will exceed US\$7m.

The project with the European Bank of Reconstruction and Development is expected to attract more foreign investors to the Nizhny Novgorod region. The rise of the capital of NBD-Bank itself will increase crediting of regional enterprises, mainly medium-sized and small businesses.

The largest NBD-Bank's stockholders are the Zavolzhye Motor Plant, the Sverdlov Plant and the Arzamas Instrument-Making Plant.

City Duma endorsed Nizhny Novgorod budget for 2001. After drawn-out debates deputies of the Nizhny Novgorod City Legislative Assembly (Duma) finally approved the city budget for 2001 on February 28.

The document features US\$180.923m in budgetary expenditure. The budget deficit is allowed to be the maximum of US\$19.5m. A development budget (additional allocations for the development of an economic and

social infrastructure beyond its "subsistence level") accounts for US\$8.928m.

Russian banks find the Nizhny Novgorod region appealing. Four branches of other cities' banking institutions opened in the region last year. These are Transkreditbank, Petrakommertsbank, OLD-Bank and KMB-Bank. There are now 20 independent banks and 22 branches of other cities' banks (including the Nizhny Novgorod branch of Sberbank Savings Bank Of Russia).

Local banks' operating assets increased 39 percent last year and accounted for US\$1.714b. According to Stanislav Spitsyn, head of Bank Of Russia's Regional Office, regional banks' aggregate equity capital grew 41 percent and accounted for US\$85.714m. Local commercial banks' profit rose 40 percent and amounted to US\$45.321m, while regional branches of other cities' banks ensured a 3.9-time increase in profit.

Mr. Spitsyn has also advised the general public that the total value of loans granted by regional banks and branches of other cities' banks increased 2.2 times last year and accounted for US\$2.607b. Locals provided 42 percent of all credits, with 31 percent granted by Sberbank and 25 percent coming from Moscow-headquartered banking institutions. Most banks extended credit lines for agriculture. Agribusiness received US\$28.571m in commercial loans. Local banks also increased financial injections into industries outside the Nizhny Novgorod region. The volume of credits granted to other regions' companies doubled last year. Today local banks operate in 19 territories of the Russian Federation.

Individual deposits grew 55 percent to US\$414.285m.

Business Support Infrastructure

Chamber of Commerce and Industry's projects. The Nizhny Novgorod region's Chamber of Commerce and Industry will extend the range of information services through the opening of an Internet cafe where students, scientists and entrepreneurs will have access to the world information network. The service will be rendered free of charge.

In 2001 the Chamber of Commerce and Industry will go on with another Internet project targeting the display of the Nizhny Novgorod region's enterprises on 16 sites.

Furthermore, Nizhny Novgorod's Chamber of Commerce and Industry is developing a commercial project on the Web where 23 enterprises have already opened their Internet shops.

Chamber of Commerce and Industry's operation results. In 2000 the Nizhny Novgorod region's Chamber of Commerce and Industry rendered a variety of services worth US\$682,140. The chamber's main activities are introducing regional producers into the external market and information services. It also implements product appraisal and certification procedures.

In 2000, the Chamber of Commerce and Industry received 25 foreign delegations. Over 500 enterprises of the Nizhny Novgorod region started business relations with companies from Japan, Great Britain, India, Germany, Belgium, the USA, Poland and

Finland. In 2000 the chamber signed cooperation agreements with the commerce and industrial chambers of Ukraine, Poland and some of Russia's similar chambers.

Over this period, the chamber made more than 50 assessments and drew up 14 copyrights and 31 applications for trademarks. The chamber gave over 4,400 certificates and carried out over 4,800 appraisals of various kinds, worth US\$2.14b.

Chemical and Petrochemical Industry SIBUR-Neftekhim's operation results in January.

In January, 2001 SIBUR-Neftekhim, a petrochemical company in the city of Dzerzhinsk, Nizhny Novgorod region, generated 63,474 tons of petrochemical products. Shipment of goods increased 3.4 percent and consisted of 33,471 tons. The plant generated 14,447 tons of ethylene, 6,969 tons of propylene and 4,738 tons of benzene. Monoethylene glycol production reached 11,384 tons, which showed a 6.2-percent year-on-year increase.

Germans committed to upgrading Dzerzhinsk's Kaprolaktam. Germany's Lurgi Lifi Science GmbH is conducting a feasibility study for the modernization of Kaprolaktam, a chemical factory in Dzerzhinsk, Nizhny Novgorod region.

The firm acts as prime contractor in the prospective launch of a new PVC production line. A pertinent protocol was signed on February 15 by representatives of the German company and Nizhny Novgorod's SIBUR-Neftekhim, Germans' major partner in the region.

Lurgi Lifi Science GmbH will be doing all the work in collaboration with Russian specialists. Pre-construction specifications stipulate the new line's annual capacity of 135,000 tons of vinyl chloride, 120,000 tons of PVC and 80,000 tons of PVC processing products. In addition, the German firm eyes the upgrade of a sodium chloride electrolysis plant.

The final decision is to be made upon completing the feasibility study, a market research and the precise evaluation of the project.

SIBUR-Neftekhim to invest US\$70m+ in Kaprolaktam. The SIBUR Oil And Gas Company has approved an upgrade and development program for the Dzerzhinsk-based Kaprolaktam, Nizhny Novgorod region. The latter became part of SIBUR's local subsidiary, SIBUR-Neftekhim, in December of 2000.

The program has been worked out by SIBUR-Neftekhim's specialists who made use of sound business proposals from Kaprolaktam. According to the document, SIBUR-Neftekhim, the Nizhny Novgorod region's leading petrochemical company, is to invest more than US\$70m in Kaprolaktam over a five-year period. The total value of the company's investment program, including this and other projects, tops US\$370m.

Upgrade measures stipulate the preservation of Kaprolaktam's core competence and its augmentation based on cutting-edge chemical technologies, with an emphasis on the production of most marketable items and the reduction of raw material cost.

The largest project being part of the program is the launch of a full-scale polyvinyl

Business Support Infrastructure

New program for company managers.

Managers of regional enterprises can now receive business knowledge and consultations from experts who represent the London Business School.

A special program for company managers who seek ISCR investment is being launched at the regional Russian Investment Support Center. The joint project is aimed at boosting the region's economic potential by attracting sizable investment in local businesses. Such enterprises as the Zavolzhye Engine Plant, the Zavolzhye Crawler Vehicle Plant, the Rossbel Company and other investment seekers are active participants of the ISCR program.

Communications

Nizhny Novgorod to access the Internet via satellite. iDirect, a U.S. telecom company, is to supply the Nizhny Novgorod Information Networks (NIS) with the first batch of satellite hardware for high-speed Internet access by May 15, 2001.

The set includes a satellite antenna and a high-speed modem. This is practical implementation of last autumn's agreements between the two companies. NIS is becoming an authorized representative of iDirect with prospects for the establishment of an Internet access providing JV. The American company is to fully finance the purchase, installation and start-up of equipment, with NIS receiving renting rights. The total project value is estimated at US\$1.5m.

Hardware from overseas will be connected to the NIS-owned Nizhny Novgorod integrated telecom network (ITN) based on fiber optic technologies. Thus, ITN users will be able to directly access Web resources in the United States. This will allow NIS to stop renting an international phone line from Rostelecom and thereby reduce tariffs for Nizhegorodians.

chloride production with an annual capacity of 120,000 tons and polyvinyl chloride processing into various end products with an annual capacity of 80,000 tons. When implemented, the project will triple Kaprolaktam's polyvinyl chloride production capabilities, double its processing potential and increase the production of caustic soda from 132,000 to 180,000 tons a year.

The second project calls for the creation of a raw material base for the production of chlorine and caustic based on local underground sources of sodium chloride. Salt extraction is expected to amount to 22,000 tons over the first stage of the project implementation already, which would render salt imports unnecessary. Salt production may grow to as much as 350,000 tons by the year 2005, provided that additional investments are made.

The third project involves the full-fledged modernization of coagulant (aluminum compounds) production for water purification. The US\$1.5m project calls for the use of solid mineral raw materials rather than liquid ones. This will make production more competitive in terms of its cost.

Communications

Teledemocracy advancing. Two more free Internet access facilities, in addition to the two already operating since December 6, 2000, opened in Nizhny Novgorod in late-February. This has been made possible in the framework of a TACIS project referred to as "Local Democratic Network".

The project was launched in December 1999. Nizhny Novgorod's partners in the project are the municipalities of Italy's Bologna and Finland's Tampere. These are Nizhny Novgorod's twin cities. Local officials say that they envisage the opening of the total of 18 free Internet access facilities within the upcoming six months.

Accessing the Web from schools and hospitals. Nizhny Novgorod keeps implementing a socially significant program initiated by a leader of the right-wing coalition in the Lower House of the Russian Parliament, Boris Nemtsov, and aimed at connecting regional schools, hospitals, museums and libraries to the Internet.

Today 45 educational, cultural and health-care facilities in Nizhny Novgorod's two large districts can access the Web thanks to the initiative. The program has drawn interest from representatives of the Mercgrid Project, Liverpool, who now plan to create Internet-literacy training centers for teachers from the Nizhny Novgorod region as part of their project.

Integrated telecom system completed. The Nizhny Novgorod Information Networks Company (NIS), a regional telecom leader, has completed the creation of the city's integrated telecommunication network based on fiber optic technologies.

About 200 km of fiber optic lines were laid. It took NIS nine years to bring the project to its successful end. The company invested almost US\$161,000 in the system in 2000 alone. Now hundreds of Nizhny Novgorod's industries and organizations can access high-speed quality telecom lines and the Web. The share

of NIS in the regional Internet service market increased last year from 10 to 13 percent. Its net profit rose 20 percent from 1999's results.

Consumer Goods industry

Flooring production to be launched in Bor. The Administration of the town of Bor, Nizhny Novgorod region, has finalized plans for the construction of a flooring production factory within three years.

The new company will utilize German equipment worth DM8b. Hardware was imported to the USSR from the then Eastern Germany many years ago, which means it has become obsolete. The Bor Municipality is going to invest up to US\$26m in equipment retrofitting, and about US\$27m in the entire project implementation. The newly established company's authorized capital will top US\$60m.

The factory will engage in the production of flooring film with an annual capacity of 18 million square meters, as well as special six-color print film unparalleled in Russia. The company's annual linoleum sales are estimated at US\$40m. The prime investor is Elektrotekh Company, which has already invested a total of DM800m in the facility's different production segments. The payback period is 4 years.

Germans to invest in Bor flooring production. An investment tender has been held in Bor, Nizhny Novgorod region, for the construction of a flooring production facility.

Germany's Russia Investment Company has been announced the winner. The tender terms stipulated at least US\$20m in investment. The winner's bid was US\$7m over the base amount. Germans plan to launch the production of linoleum and color film twelve months from now. Strategic plans for the year 2004 include the production of carpets.

Russia Investment Company has joined a dozen foreign companies successfully operating in the town of Bor and providing nearly a half of municipal revenue.

Bor to provide the region with local hygienic paper. A new hygienic paper production shop has opened in the town of Bor, Nizhny Novgorod region, at the premises of Borskaya Selkhoztekhnika Company.

The facility incorporates a raw material processing line and a toilet paper mini-plant.

To launch the new project, advanced hardware worth US\$185,000 was purchased from Poland's Tverd Company. Total investment has been compiled by the Administrations of the Nizhny Novgorod region and the town of Bor, and a local commercial bank.

According to estimates, there will be up to 140,000 tons of paper waste processed on an annual basis. The new shop has a monthly capacity of 120 tons of hygienic paper and is expected to cover up to 85 percent of the regional need for this product.

Defense Industry/Conversion

Military orders seen on the rise. Government orders for defense-related products are to increase 45 percent over the year. Specifically, R&D activity in the Nizhny Novgorod region will be viewed as priority and therefore backed by a 73-percent increase in state orders.

According to officials from the regional Administration's Department of Industry in charge of military production and military-to-civilian conversion issues, defense-oriented enterprises managed to secure a 26.9-percent increase in output in 1999 for the first time in the whole decade of reforms. Production further intensified in 2000, rising 11 percent from the previous year's statistics.

Engineering

Instrum-Rand: "Be Russian, Use Russian". Employees at the Pavlovo-based Instrum-Rand US-Russia JV, a leading manufacturer of pneumatic tools for automotive and tractor industries, have embarked on a patriotic campaign that involves using domestic equipment and achieving no-flaw results.

Operational discipline and efficiency in servicing machines were behind January's 2.1-percent idling period, a fairly negligible result as compared to an average Russian factory. A brief background sketch for our readers: Instrum-Rand, Pavlovo, Nizhny Novgorod region, is a joint venture established in 1993 with a 60-percent US participation (Ingersoll Rand Co.). The company heavily exports to the West, with General Motors and Ford being among its consumers.

Instrum-Rand introducing advanced accounting. Instrum-Rand, a US-Russian pneumatic tool making JV (Pavlovo, Nizhny Novgorod region), is introducing a new computer system for accounting and production control.

The currently used and largely outdated US-made system will be replaced by more advanced equipment from domestic producers. Its software will allow the company to prepare documents both to Russian accounting standards and in the international GAAP format. This is a high-speed system too.

Hardware purchased by Instrum-Rand is to be augmented by UniGraphics-compatible software and will let the company make another step towards broader production and marketing opportunities.

Electrode production launched. Electrode production has been launched in the Bor District of the Nizhny Novgorod region. A municipal enterprise producing 250 tons of electrodes per month has been established there in the Zheleznodorozhny Settlement. The facility competes with Nizhegorodsky Teplokhod, the region's monopoly in electrode production. Annual production capacity of the enterprise totals 4,000 tons of electrodes, which exceeds Nizhegorodsky Teplokhod's figures by one-third.

The plant was granted a long-term credit worth US\$107,000 from the Savings Bank of the Russian Federation. In 2002-2003 the plant will purchase the second production line that will double its production capacity.

Food/Beverages

Wafer production launched. The Karamel Confectionery, Nizhny Novgorod, has launched a new wafer production line based on advanced equipment from a world leader in the field, Austria's HAAS Concern.

The total value of hardware purchased for the confectionery exceeds US\$1m. The company used internal funds and secured a com-

mercial loan. Superb equipment, coupled with its proper maintenance, will guarantee world-class output. The rated capacity is 200 tons of wafers a month. The introduction of the new production line has made it possible to create 50 new jobs.

Fuel/Energy

Crude supplies to NORSI-Oil threatened. Federal government's policies towards NORSI-Oil, a sizable oil refinery from Kstovo, Nizhny Novgorod region, threaten to avert the LUKoil Oil Company from supplying crude to the enterprise.

LUKoil is currently the refinery's prime supplier of crude for the production of high-quality lubricants and other petroleum products. But the oil producer's relations with NORSI-Oil are not unconditional. LUKoil awaits a free investment tender for a partial sell-out of the state-owned stake in the refinery, at which the company is expected to be the main contender. The issue has been open since last summer, and top managers of the oil company now tend to doubt the expediency of further crude supplies due to apparently inexplicable procrastination on the part of the federal government in announcing this tender.

LUKoil supplies over 70 percent of crude utilized by NORSI-Oil. The company has been fairly conscientious in meeting its obligations so far, although some disruptions have occurred. That is why the management is surprised at the Cabinet failing to produce any coherent opinion on the issue. Vagit Alekperov, president of LUKoil, may now only guess whether or not Moscow has its special stand as to what terms and conditions of the tender should be worked out and whether the event will ever occur.

Focus on energy. Nizhny Novgorod hosted a workshop on January 30-31 dedicated to investment in heat and electrical energy production in Russia. The event was part of the EU's TACIS ERUS9703 project on the local Sormovo dual-purpose power station.

Representatives of the Fuel and Energy Ministry, RAO UES of Russia, RAO Gazprom and other energy-related entities attended the seminar.

We remind you that the TACIS project has been in effect since 1999 and is being carried out by a consortium to incorporate Finland's Fortum Engineering Ltd., the Netherlands' KEMA International BV and Germany's MVV Inno Tec GmbH as the European Commission's contractors. Activities center on the power station's environmental safety problems.

Tensions over NORSI abating. The situation over the NORSI Oil Refinery is not as bad as the Moscow-based media try to portray it. This is an unofficial opinion voiced by an unidentified representative of the regional Administration.

When asked if the LUKoil Oil Company may abort its crude supplies to the refinery in the near future, this high-profile source was quoted as saying, "This is virtually impossible." He added that LUKoil had supplied more than 650,000 tons of crude to the NORSI Oil Refinery since the year beginning.

Light at the end of the tunnel in the LUKoil-NORSI relationship. The management of the LUKoil Company, Russia's leading

Food/Beverages

Uzbek wine to be bottled locally. A joint venture is to be established in the Nizhny Novgorod region to process farm produce from Uzbekistan and act as agri-product distributor for this Central-Asian country in the Volga Federal District.

Under an agreement reached between the two territories, Uzbekistan will supply fresh and dried vegetables and fruit, tomato paste and concentrated juices, while the Nizhny Novgorod will start bottling dry, vintage and fortified wines on its home soil.

Uzbekistan is now the region's fourth largest trade partner among all CIS countries, with turnover totaling US\$15.8m last year.

International

Preparing for a twin city gathering. Mayor Yuri Lebedev presided on February 17 over a meeting held by the International Twin City & Partners Forum's organizing committee.

The forum itself is scheduled for June 13-14, 2001 at Nizhny Novgorod's Trade Fair premises. The event is devoted to the 780th anniversary of Nizhny Novgorod City and the first decade of the city's openness to the outside world after years of the Soviet-time secrecy. Nizhny Novgorod has five twin cities throughout the world, and representatives of the four of them will participate. The Swedish, Italian and British Ambassadors have also expressed their intention to arrive.

oil producer and the largest supplier of crude oil to the Nizhny Novgorod-based NORSI Oil Refinery, has responded positively to the federal government's mid-February decision to announce an investment tender for NORSI's state-owned stake.

But Prime Minister Kasyanov's decree is yet to be approved by President Putin to come in full force. If this is done, LUKoil as a contender will be ready to negotiate issues of NORSI's partial debt repayment to the federal budget from its own means. Furthermore, the oil company emphasizes this as a prerequisite to further supplies of crude to the refinery.

Nevertheless, the oil producer is now more willing to stick to its original, six million ton annual commitment. If negotiations go as planned and tender results are favorable for LUKoil, NORSI Oil Refinery may get about US\$500m in an upgrade investment over the five-to-six year span.

Mass Media

Media Soyuz gathering in Nizhny Novgorod. The Media Soyuz All-Russian Journalistic Organization held its presentation and a Media-Business-Powers roundtable in the Nizhny Novgorod Trade Fair Building on February 27.

Participants were discussing the vital issues of preserving and developing the Russian mass media market and opportunities for a dialog with powers that be on a par basis. Also on the agenda were opportunities for the creation of new print and on-line media and an information exchange within the Volga Federal District that incorporates 15 republics and regions.

Science&Technology

Information technologies as key to economic revival. Nizhny Novgorod was hosting a workshop on February 14-15 dedicated to issues of information technologies in the regional economy.

A spokesman for the Nizhny Novgorod New Information Technology Center briefed reporters at an opening press conference on the current state of play. To create a unified information medium as a base for regional economic development, a shared industrial technology platform is needed, fully compatible with companies' capabilities and ready for mass use. At the moment, technologies used vary too much with different companies, which hinders cooperation and destroys integrity of the information medium. The biggest problem on the way to this is software licensing. In fact, local companies presently utilize about 90 percent of illegal software.

Shipbuilding

Bendukidze solidifying his position in Nizhny Novgorod's Krasnoye Sormovo. United Mechanical Engineering Plant (Uralmash-Izhora Group), run by one of Russia's most influential businessmen, Kakha Bendukidze, has acquired another piece of Krasnoye Sormovo Shipyard's property.

The holding increased its presence in the shipyard on February 15 through buying a 5.41-percent stake from its former owner, Troika-Dialog. The deal has solidified Bendukidze's position in the shipyard

involved, among other things, in the production of submarines, and is the continuation of the policies adopted last year when Uralmash-Izhora Group took over a 51.63-percent portion of Krasnoye Sormovo's assets.

Bendukidze eyeing a stronger position at Krasnoye Sormovo. Observers believe that Kakha Bendukidze's United Mechanical Engineering Plants Group will keep buying the Krasnoye Sormovo Shipyard's shares to increase its presence in the shipyard's board of directors.

The group acquired another 5.41-percent stake in the Nizhny Novgorod-based company on February 16. However, the transaction has produced but a negligible effect in the stock market, as it is only a block of at least 25-percent property that could possibly move the market. Kakha Bendukidze's latest acquisition has increased the group-controlled portion of Krasnoye Sormovo assets to 57.04 percent, which opens the way for bringing one more representative to the shipyard's board.

Some of Bendukidze's rivals still seek to get a share in Krasnoye Sormovo, but the war of attrition seems to be nearing its end. The United Mechanical Engineering Plants Group is the most likely winner, as it is rumored to target the 75-percent stake as the level to stop at.

Transport&Logistics

Cooperating aloft. Samara Airlines, a Samara-based air company actively cooperating with the Nizhny Novgorod Airlines in inter-regional passenger carrying, has opened a new Nizhny Novgorod - Moscow - Nizhny Novgorod flight. Samara crews will be flying Yak-40 planes five times a week. The company plans to introduce late afternoon flights from Nizhny Novgorod to Moscow in February.

Public transportation temporarily aborted. About a hundred public buses stayed in their garages on February 3.

Tens of thousands of low-income Nizhgorodians found themselves in a predicament, as the absence of municipal buses, which allow a wide variety of passengers free rides as social benefits, made many take private buses. Those charge 14 US cents a ride irrespective of social categories. The reason is simple and, unfortunately, has become a tradition. The regional Administration as the benefit provider and financial compensation warrantor, has piled up a huge debt to a private fuel supplier, Nizhegorodnefteservis. The latter has found it impossible for itself to keep providing free fuel to the state-owned passenger carrier. In addition, the region's prime electricity supplier, Nizhnovenergo, has cut the public bus transportation utility off electrical energy for the same reason.

Transportation prioritized for TACIS financing. Nizhny Novgorod's transportation infrastructure will have two million ECU in investment under the TACIS program.

A leading expert of the program, Peter Ranger, was quoted as saying, "At the moment the Nizhny Novgorod region's transportation development project is undergoing the evaluation phase aimed at attracting additional finance." At the same time preparation is under way for the establishment of the International Strategic Planning Center to

involve local companies engaged in waterway, air, railway and road transportation. The entity is to get busy with freight turnover monitoring. To provide competent staff for the task, the Lobachevsky State University of Nizhny Novgorod has opened the Department of Logistics.

The creation of a logistic center at the local Kostarikha railway station will complete the first stage of the project. The container transportation hub at this place is expected to attract about US\$3m in investment over a two-year period. The total transportation development project cost in the Nizhny Novgorod region is approximately US\$10m.

USA cooperating with the Nizhny Novgorod region. The US' Simmons Construction Corporation has been involved in a five-year project along with Gorky Railroad.

The project consists of the creation of a shop for repair and rounding off of carriage wheel-sets. The construction will be completed in May.

In early February Simmons' representatives paid a visit to the Nizhny Novgorod region. The cooperation was estimated as even more successful than expected. At present the facility is operating at a 70-percent capacity. In 2000 the shop manufactured 12,000 wheel-sets. The product is in demand at Russia's railroads and will be delivered to the neighboring regions and abroad.

International

Tampere, Nizhny Novgorod and Essen to pool efforts in water utilities and waste disposal. Finland's Tampere, Russia's Nizhny Novgorod and Germany's Essen, the three twin cities, have agreed to pool efforts in the implementation of joint projects in water supply systems and household waste processing.

Tampere hosted a special meeting on February 1-3, at which specialists in relevant industries were discussing technicalities. Among issues on the agenda were greenhouse gas recovery at waste dump sites, the deep processing and disposal of used storage batteries, and reforms in water supply systems. Nizhny Novgorod representatives also visited Tampere-based waste disposal utilities and waste water treatment installations.

World Bank to assist in wild life preservation. The World Bank has joined a large-scale ecological joint project undertaken by local authorities and aimed at preserving the diversity of wild life in the Nizhny Novgorod region.

The Administration worked out a number of environment-related measures earlier this month, the first nine of which have been financed by the World Bank. The world-famous crediting organization has invested US\$110,000 in wild life preservation in the region.

Orenburg Report

Fuel/Energy

Orenburgnefteprodukt Oil Refinery's plans and operation results. In 2000 Orenburgnefteprodukt sold 615,000 tons of fuels and lubricants.

In January, 2001, the company's sales accounted for 32,000 tons, which exceeded year-on-year results.

Orenburgnefteprodukt Oil Refinery's sales of fuels and lubricants are predicted to increase 23.7 percent throughout this year and amount to 768,000 tons. Wholesale marketing is expected to rise 27.3 percent. Sales at petrol stations will go up 15.9 percent.

Oil/Natural Resources

Oil and natural gas extraction in the Orenburg region in 2000. The Orenburg region's oil and natural gas extraction results for 2000 have been made public.

Totally, the Orenburg region's enterpris-

es involved in oil and natural gas extraction produced 8.85m tons of oil and 25.9b cu m of natural gas. Oil extraction went up 1.5 percent while natural gas extraction decreased 2.6 percent.

Economic Indicators/Statistics

Orenburg region's corporate output in 2000. According to statistic data, in 2000 the Orenburg region's total corporate output was at US\$2.1b. In 1999 this figure was US\$1.4bn.

The fuel industry generated US\$977m worth of products. The energy sector featured a decline in production by 2.7 percent and an increase in monetary inflow from US\$137.6m to US\$196.7m. The most considerable progress in output was made in the machine building and metalworking industries. These companies reported a rise in operation receipts from US\$94m to US\$164m.



Penza Report

Economic Indicators/Statistics

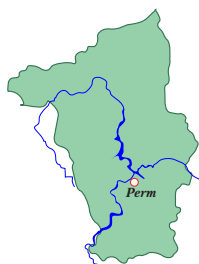
Unemployment level. According to the Regional State Statistics Committee, in the year 2000, the Penza region entered the number of regions with the lowest levels of unemployment. At present the region's unemployment level is 1.7 percent. The number of vacancies has considerably increased. For instance, in Penza, the capital city of the region, there are 7,500 posi-

tions waiting to be filled by representatives of a large number of working professions.

Food/Beverages

Penza Mechanical Bakery #2 proves the high quality of its products. Throughout 2000 the Penza Mechanical Bakery #2 won 16 medals at various shows in Russia. The company was awarded a platinum quality mark.





Perm Report

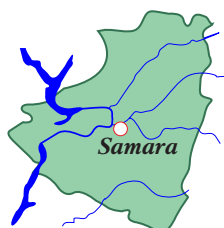
Aerospace Industry

Interros to restructure Permskiye Motory. Sergei Aleksashenko, deputy CEO of the Interros Holding, gave an extensive explanation on February 21 for his company's plans to cede to the state a major property stake in Permskiye Motory, a Perm-based aircraft engine maker, with an eye to break into the Latin American market.

Interros plans to join forces with the U.S. Pratt & Whitney Company, a Permskiye Motory stockholder, in exporting PS-90A engine-based gas-generating stations. Projections call for exporting 200 to 300 gas turbines, outfitted with Pratt & Whitney units,

to the United States and further selling US-made compact thermal electric plants to Latin America. According to Mr. Aleksashenko, if the plans get finalized, Permskiye Motory will be able to raise between US\$300m and US\$600m in proceeds.

The deputy CEO added that PS-90 needed licensing prior to finalizing any export project. This is a serious hindrance, however, as the Russian Federal Agency for Intellectual Property Protection has refused to issue an export license until Permskiye Motory settles its property disputes in favor of the state. To keep the project from shelving, Interros has come up with its own initiative to swap debt for stock.



Samara Report

Administrations/Legal Issues

Volgotanker's lawsuit hearing put off. The London Court of Arbitration has postponed hearings on a lawsuit from the Samara-based Volgotanker Company until 2003.

The tanker shipment company has filed this lawsuit demanding that a deal with the Best Company from the ING Group over a lease of 16 tankers be annulled. However, experts believe there seems to be no legal grounds for the suit to be satisfied. According to Yuri Mendeleyev, deputy head of the Russian River Fleet Service representing a 20-percent government share in Volgotanker on its board of directors, the contract with the Best Company for a lease of 16 tankers until 2014 was signed by incumbent CEO Vladimir Koryakov in 1999 and then approved by a stockholder meeting. Mr. Mendeleyev has emphasized that Best is making an effective use of the tankers to ship oil to the ING Group.

Automotive Industry

AvtoVAZ to combat hostile takeover. The Togliatti-based AvtoVAZ, a large car manufacturer in the Samara region, anticipates prospects for a hostile takeover through a stock buyout and is determined to protect its interest.

To ensure its safety in the market, AvtoVAZ has decided to effect a transfer to nominal holding of the plant's stock owned by the enterprise's largest stockholder, Automobile All-Russia Alliance (AVVA). The move will make shares more protected, according to vice-president of AvtoVAZ, Nikolai Lyachenkov.

The plant is authorized by AVVA to manage about 80 percent of the Alliance's 32.3-percent stake in the car manufacturer, and the owner has been informed about the transfer in question.

Analysts from Troika-Dialog Investment Company, however, doubt the effectiveness of the move as much as they do the possibility for any hostile takeover at all. In fact, AvtoVAZ itself and its friendly company control 52 percent of stock.

In addition to purely stock market measures, managers of AvtoVAZ take preventive action by transferring some 20 percent of all motor vehicle production lines to related companies. Terms and conditions of such changes are kept in secret.

Outsiders ready to fill in the gap.

AvtoVAZ, a Russian car-manufacturing leader from Togliatti, Samara region, is eyeing its full-fledged expansion in the Nizhny Novgorod motor vehicle market.

The process has already begun. Last year AvtoVAZ sold here more than 9,000 VAZ cars. According to a spokesman for the company, his management wants to capitalize on the current situation, in which the main local producer, GAZ, has had to curb production due to its temporary problems. AvtoVAZ plans to establish its permanent dealer network locally to comprise at least 20 trading and servicing firms.

AvtoVAZ signing contract with Germany.

The Samara-based AvtoVAZ Automotive Plant has signed a contract with Germany's Heidelberg for the purchase of printing equipment. The new equipment includes five-color and four-color printing presses and die-cutting machines. The equipment will be used for printing automotive technical manuals.

AvtoVAZ to create its own leasing company. AvtoVAZ Automotive Plant (Samara region) has announced a decision to create its own leasing company.

The new organization is called Avtopromleasing. Russia's Ministry of Economic Development and Trade issued AvtoVAZ a leasing license that will allow the giant automobile producer to purchase equipment without using debt financing.

Construction Industry/Real Estate

Samara governor visits Tekhtransstroj as leader in construction. Samara Governor Konstantin Titov visited the Togliatti-based Tekhtransstroj Company on March 1. He emphasized that the firm is a leader in the local construction sector.

Tekhtransstroj, founded March 1, 1989, started its operation from a minor cooperative with a four-employee staff. Today it is a diversified industry, which specializes in construction materials and items made of wood, stone and metal. The company has earned a respectable reputation both domestically and internationally. Last November Tekhtransstroj was awarded a Gold Medal from the French National Industry Assistance Association, founded in 1801 by Napoleon.

Tekhtransstroi is currently a 1,500-strong industrial group, which incorporates eight subsidiaries and operates in a 16,000-square-metre production area. The firm's woodworking lines are outfitted with equipment from Italy's SCM, Cursal, Incomac, Diesse and other major suppliers.

One of Tekhtransstroi's subsidiaries is Nord Stone, a UK-Russian stoneworking JV with US\$10.25m in its authorized capital, of which Tekhtransstroi owns 67 percent. Nord Stone produces granite and marble tile and is a national leader in natural stone working.

Tekhtransstroi has been implementing an ambitious US\$52.465m project since last June. The project, aimed at the further development of the company's woodworking capabilities, calls for the construction of a number of wood-related production facilities throughout Russia.

Fuel/Energy

Energy-related achievements displayed.

The 7th All-Russian Energy & Chemical Industry Exhibition was held in Samara from January 31 until February 3. Its main topic was energy audit and the introduction of energy saving technologies. Major participants were energy, chemical and petrochemical companies from Russian regions. They brought their latest developments in energy consumption metering and control. Manufacturers were displaying their novelties in equipment for self-sustained energy systems.

Metallurgy

AvtoVAZ-Invest taking over Ukraine's ZILK. AvtoVAZ-Invest, an investment branch of AvtoVAZ, Samara region, has paid 380 million hryvnas for a 68-percent stake in the Zaporizhe Aluminum Smelter (ZILK) at an auction in Ukraine, thus gaining full-fledged control over the Ukrainian company.

However, the Ukrainian government expressed its worry about the outcome of the auction, citing an overly low price offered by the Russian company.

AvtoVAZ, GM and the EBRD to create a JV to produce VAZ-2123. The Samara region-based AvtoVAZ Automotive Plant, the USA's General Motors Automotive Corporation and the European Bank of Reconstruction and Development will create a joint venture to produce VAZ-2123.

The total volume of investment in the joint

venture will be US\$333m. The production will start in 2002. The enterprise is expected to reach the planned capacity in 2004.

Transport&Logistics

Samara Airlines to fly to China's Tianjing Province. Samara Airlines, a fast-developing air carrier from Samara, is opening a new route. Its planes will fly directly to China's Tianjing Province.

This is to facilitate air transportation considerably, as passengers used to fly via Moscow. The idea was first voiced in early 2000. The company had plans to open a route via Abakan, South Siberia. However, the project was later found economically unviable. Last autumn the company suggested extending the already existing Samara-Novosibirsk-Irkutsk route. Samara Airlines held talks with the management of their Chinese partners, China Airport Construction Corporation of CAAC and China Comfort Travel Co. Ltd., which led to an agreement.

The first stage of the project implementation involves Tu-134-type aircraft flights twice a week. With an increase in passenger turnover, a bigger plane, Tu-154M, will be used.

International

Samara region cooperating with the USA. A meeting targeting the discussion of Russian-American mutual projects took place in Samara, the capital city of the Samara region, in early February.

The Samara region is one of Russia's four areas where Regionalnaya Initsiativa (Regional Initiative) Russian-American inter-governmental economic and technologic program is being implemented. The Initiative is sparking the cooperation of investors, law-makers, mass media, environmental protectors, exchange students and on-the-job trainers in the partner's country. Participants in the project are BISNIS news agency and some of Samara's organizations. The European Bank of Reconstruction and Development supports medium-sized and small businesses through granting credits and the system of micro crediting. The Soros Fund along with the European Bank of Reconstruction and Development has opened KMB-Bank in Samara and Togliatti. Loans worth US\$8m have been granted. The Eurasia Fund is also supporting small and medium-sized enterprises.

Saratov Report

International

Saratov region's cooperation with Israel. Talks between the authorities of the Saratov region and Israel were held in Moscow.

Israeli President Moshe Katsava visited Moscow recently where he addressed the issue of Russian-Israeli cooperation on various aspects of both state and business affairs. The priorities of this cooperation are electronics, aircraft building, public health care and agriculture and some other leading sectors of the economy.

One of the promising applications of newly signed agreements is the joint project

carried out by the Saratov Aircraft-Building Plant and Israel's IAI Air-company. The project targets the production of YaK-48 Galaxy aircraft. The vehicle is expected to comply with international certificate standards.

In addition, the partners are successfully developing a cooperation in the field of electronics, specifically the production of office telephone switching systems.

There is also a fruitful cooperation in the areas of medicine and agriculture. Nikolayevskaya Agricultural Firm, along with Israel's Eldar Shani Technologic, are breeding turkey and produce meat with a total annual volume of 2,000 tons.





Defense Industry/Conversion

Navy promises steady orders. Tatarstan President Mintimer Shaimiev had talks with Chief Commander of the Russian Navy Vladimir Kuroyedov on February 7 to discuss the development of the defense industry and the distribution of Navy orders at local defense enterprises. Admiral Kuroyedov said that Tatarstan companies could rely on large orders from the Navy and added that the Gorky Shipbuilding Plant is likely to become a major supplier of ships for the Caspian Fleet.

Tatarstan Republic Report

Automotive Industry

KamAZ approves its 2001 business plan. KamAZ board of directors had a meeting on February 20 with 2000 results and 2001 prospects on the agenda. In addition, the board members approved the company's fourth-quarter security issue report.

KamAZ' business plan for the current year was finalized. In 2001, the company envisions nearly US\$750m in sales proceeds. The plan includes production estimates for trucks (26,000 vehicles) and cars (37,800 vehicles) and a target percentage point for the company's market share (53.4 percent of the entire Russian automotive market, a 6.4-percent rise from last year).

KamAZ is determined to start mastering new items, such as motor vehicles with an up to 13-ton axial load, bus chassis, large buses and wheel tractors. The management expects at least 10-percent profitability.

The board members also okayed the CEO's decision to sign a US\$70.5m credit agreement with the EBRD in a bid to facilitate the process of KamAZ debt restructuring.

KamAZ unveils new 20-ton truck. The Naberezhnye Chelny-based KamAZ Automotive Plant has started production of the KamAZ-6520, a heavy-duty truck with a maximum payload of 20 tons. The vehicle is specifically designed for the oil and natural gas industry and can be driven in all types of adverse weather conditions. The truck is powered by a diesel engine that is 1.5 more powerful than the previous model. KamAZ reports that production of the new truck can also be customized line to the wishes of the customer.

KamAZ will participate in the tender of military contracts. KamAZ Automotive Plant will participate in the tender of military contracts. The plant will deliver special-purpose trucks and spare parts to the Russian Armed Forces. The annual tender will be held in late February.

KamAZ is also to sell KamAZ-43118 and KamAZ-43114 AWD multi-purpose off-road vehicles to the Ministry of Defense. The vehicles carry weapons and other equipment for military operations.

KamAZ marketing trucks to Baghdad. KamAZ Automotive Plant has begun the delivery of Tatarstan-produced heavy trucks to Iraq within the framework of UN sanctions on Baghdad. KamAZ sold 500 trucks to Iraq in 2000 and expects to sell 1,000 vehicles this year.

YelAZ-GM boosts production. According to Aksel Schmidt, CEO of YelAZ-GM, the automotive JV's profit increased 47 percent last year to US\$1.3m. Sales of Opel Vectra and Chevrolet Blazer jeeps rose 30 percent.

Banking and Finances/Taxation

Tatarstan's Tatfondbank's credit program. In 2000 the Kazan-based Tatfondbank's credit portfolio rose 4 times to US\$53.6m. Almost 70 percent was loaned to industrial enterprises. Oil-extracting, petrochemical, machine building and light

industries were the chief beneficiaries of credit.

Enterprises receiving credit included Tatneft, Nizhnekamskneftekhim and KamAZ, worth US\$5.4m.

Chemical and Petrochemical Industry

Nizhnekamskneftekhim interested in oil, gas extraction. According to Vladimir Busygin, CEO of Nizhnekamskneftekhim, this petrochemical company has decided to purchase 40 percent of Gazprom enterprises in Urengoi, Yamalo-Nenets Autonomous Region, Northern Siberia. This would help the company meet its need for gas and oil. Nizhnekamskneftekhim has also been in talks with Germany's Vinterschal Firm for future deliveries of gas condensate from Novyi Urengoi, the same oil/gas-yielding area in Siberia.

Fuel/Energy

LUKoil and Tatneft team up around Moscow. LUKoil and Tatneft, Russia's major oil companies, are to collaborate in an ambitious project, referred to as the Moscow Ring. It involves setting up a gas station network around the Russian capital.

The newcomers' appearance has followed a considerable shrinkage in a financial involvement on the part of the Central Fuel Company whose stake in the project's prime operator, the Park Oil Company, has fallen from 49.99 to 25 percent. Now Park Oil is getting a new stockholder, the LT Resurs Company, which is to buy 24.99 percent of its property. The latter is a joint venture between LUKoil and Tatneft, which supplies crude oil to the Moscow Oil Refinery.

Oil/Natural Resources

Tatneft to invest in oil production in Chuvashia. Tatneft, Tatarstan's leader in oil production, has become the main stockholder of Chuvashnefteprodukt and announced it is going to invest in oil extraction in the republic. Tatneft will control the well system operation at the Turmyshsky site. The company will also invest about US\$3m in retail gas station operations belonging to Chuvashnefteprodukt.

Tatneft boosting cooperation with Iraq. The Tatneft Oil Company has announced its intention to ship oil well drilling equipment to Iraq and send experts to help develop 45 oil wells for Iraq's North Oil Company. This is to take place within UN-approved limits.

Tatneft to supply oil to Russian regions. Tatneft and the Arkhangelsk Regional Administration signed a cooperation agreement on February 9 providing for the delivery of oil to the region. The two sides also agreed to restructure Arkhangelsk's US\$18m debt to Tatneft.

The company recently opened the first station in the Ulyanovsk region. Tatneft has agreed to invest in oil exploration in Chuvashia.

Tatneft expands activity abroad. The

Tatneft Oil Company has successfully completed talks with Vietnamese firms in the field. It is another breakthrough for the oil producer after its expansion to Iranian, Jordanian and Iraqi markets.

Science&Technology

Tatneft moving IT-wise. Tatneft, the republic's largest oil producer, intends to finalize a deal with Hewlett-Packard to develop its own integrated computer-aided system.

According to Tatneft, the partners will devise a corporate data processing center, an

information resources management system and field models for oil companies.

International

Tatarstan eyeing closer ties with Libya.

An official delegation from Tatarstan visited Libya in early February in order to explore opportunities for cooperation in the petroleum sector. On their return, the delegation members said that Libya could become a good partner for the republic. No specific agreement was signed during the visit, which, however, was apparently fruitful, and closer ties are to follow.

Udmurtia Republic Report

Automotive Industry

Skoda-Auto will construct an automotive plant in Udmurtia. On January 19, 2001 Udmurtia President Alexander Volkov held talks with the managers of Czech Skoda-Auto Concern.

Skoda-Auto chose the Republic of Udmurtia for the establishing of a construction plant. Later the president met with Deputy Prime Minister Ilya Klebanov and discussed the project. They also touched upon the modernization of the Izhevsk Automotive Plant.

Izhmash CEO denies rumors over shelving the Skoda-Avto-Udmurtia project. The Interfax News Agency spread the information in early February about Skoda's plans to shelve an approved JV project that would involve the production of motor vehicles at the Izhevsk-based Izhmash Company.

Management has changed its mind, Interfax said, due to Skoda's internal reforms, as the company is now part of the Volkswagen Concern. As far as the source of information was concerned, the news agency made a reference to CEO of Izhmash, Vladimir Grodetsky. The top manager, however, has denied saying anything like this. He emphasizes that no official decision has been made so far as to whether a joint venture will or will not be created. The two parties are yet to discuss the issue in the framework of a broader cooperation discussion.

Izhmash to focus on Volkswagen. The board of directors of Izhmash, a sizable mechanical engineering complex in Izhevsk, Udmurtia, held a meeting on February 15.

According to Chairman Alexander Nozdrachev, a new five-year labor contract has been signed with Vladimir Grodetsky, the present CEO. Mr. Nozdrachev confirmed that the Skoda-Avto-Udmurtia project will remain earthbound, adding that the company is now looking to cooperate with the Volkswagen Automotive Concern. The chairman and CEO denied rumors about alleged separation of motor vehicle production from the Izhmash structure.

Engineering

Operation results at Udmurtia's Izhmash and its subsidiaries. In January 2001, all the enterprises of the Izhmash group of enterprises generated US\$12.7m worth of products.

Over this period the Izhevsk Weaponry Plant, Izhmash's subsidiary, generated

US\$1.3m worth of products. Hunting carbine production amounted to 6,874 items from 5,733 the previous January.

Another subsidiary, Izhmash-Avto Automotive Plant, generated US\$5.4m, or 70 percent of the projected amount. Automobile production was calculated at 2,414 that showed a 6-time year-on-year rise.

Izhmash-Moto Mechanical Engineering Plant generated US\$1.3m worth of goods that constituted 70 percent of the plan. Motorcycle production accounted for 1,374, a 15-percent decrease.

Izhmash, involved in high-precision device production, generated US\$1.9m worth of products, 9 percent over the plan. Leading were natural gas meter and ignition production, which amounted to 1,500 and 18,500 respectively.

Izhmashstanko Machine Tool Plant generated US\$422,392 worth of products.

Oil/Natural Resources

Operation results of Udmurtia's Belkamneft Oil Extracting Company.

Throughout 2000 Udmurtia's Belkamneft Oil Extracting Company mined 1.642m tons of oil from 1.63m tons in 1999. The enterprise stabilized its volume of extraction. It transferred US\$22.2m to all budgetary funds. Udmurtia's coffers received US\$7.9m, a three-time rise from the previous year.

Belkamneft will be developing 12 new oil wells as the leading company in a newly created consortium this year.

Metallurgy

Austria's Voelt-Alpne Industrial Services to assist Bumash in the reconstruction of a metallurgic production line.

Austria's Voelt-Alpne Industrial Services will assist the Izhevsk-based Bumash (Republic of Udmurtia) in an ambitious project initiated in order to reconstruct an outdated metallurgic production line.

Voelt-Alpne Industrial Services is to carry out work for five years. The company is to be actively aided by a number of local related businesses, as well as Austria's Euro-Project Company. When upgraded, the production line will allow the management to lower physical labor intensity and reduce product prices while ensuring the output of high-quality steel. Liquid steel output is expected to rise between two and 2.5 times to 25,000 tons in 2002.





Economic Indicators/Statistics
Ulyanovsk region economic development data.
In 2000 the Ulyanovsk region's total corporate output amounted to US\$2.04b worth of products. Production growth was reported in machine building, metal working, fuel, lumber, printing and publishing, and light industries. Communication and transport services increased 11.9 and 1.7 percent.

The agricultural sector generated US\$132.1m worth of products. However, this sector was characterized by the decline of main indicators. Meat, milk and egg production went down 5-10 percent. In addition, a considerable decrease was reported in cattle-breeding.

Over the past year consumer prices rose 23.7 percent from 1999. Average wages were calculated at US\$49.3 that showed a 42.7-percent increase from the previous year.

Ulyanovsk Report

State/Business Relationships

Slavneft to invest in the Ulyanovsk region and repay its debt. The Slavneft Oil Company is expected to become the Ulyanovsk region's strategic investor.

In 2001 alone the company is ready to offer US\$32m worth of direct investment, or almost half of the region's 2000 budget. In addition, the oil company contemplates repaying the Ulyanovsk region's full debt to its creditors, which roughly accounts for US\$25m. Now it is the governor's turn to think over the proposal and respond.

Aerospace Industry

Aviastar to cooperate with AvtoVAZ. The Ulyanovsk-based Aviastar Aircraft Building Plant will cooperate with the Togliatti-head-quartered AvtoVAZ Automotive Plant (Samara region).

Aviastar will make 30 different components for VAZ automobiles.

Aviastar to lease aircraft to Atlantsoyuz and Transaero Air Companies. Aviastar Aircraft Building Plant and Atlantsoyuz Air Company have signed a leasing agreement on the production of Tu-204 aircraft. The company is to receive four airplanes.

Transaero Air Company will lease six of the new planes.

Aviastar Aircraft-Building Plant extends An-124 service life. The Ulyanovsk-based Aviastar Aircraft-Building Plant has announced that its An-124-100 C Ruslan freighter has been certified by the Intergovernmental Aviation Committee to extend its service life to 24,000 from 6,000 hours before overhaul. The An-124 was previously a military aircraft. The plane is now been used commercially.

Automotive Industry

Board of directors meeting at Ulyanovsk-based UAZ. The board of directors of the UAZ Automotive Plant reported that in 2000 UAZ manufactured 84,872 automobiles, a rise of 4.6 percent. Despite the increase, the company still suffered losses.

Ulyanovsk Automotive Plant' Bars military vehicle. Russia's Ministry of Defense is testing the Bars military vehicle produced by the Ulyanovsk Automotive Plant. It has military capabilities and can handle the same length of track as Ural and GAZ-66. Bars is expected to be purchased by Russia's Armed Forces.

Banking and Finances/Taxation

Dimitrovgrad's revenues in 2000. In 2000 Dimitrovgrad received US\$25.7m in taxes. This exceeds the results of the previous year by 56.2 percent.

Construction Industry/Real Estate

Dimitrovgrad Brick Plant is reorganizing its production facilities. According to the plan, all of the production shops will become independent enterprises. The shop producing ceramic slabs has already become

independent. The plant's managers say that these changes will improve the company's overall financial situation.

Construction of bridge across the Volga to be completed in four years. Ulyanovsk region's authorities have announced that the construction of a new bridge across the Volga will be completed in 4 years.

In 2001, approximately US\$36m will be spent on the project. The workers involved in the construction are highly qualified and experienced, which will allow them to participate in international tenders for other bridge construction.

Fuel/Energy

Ulyanovsk region holds an international conference of energy-saving equipment producers. The third international conference of energy-saving equipment took place in Dimitrovgrad, the Ulyanovsk region, on February 8, 2001. The conference was organized by Promservis, the region's sensor producer. The plant is one of Russia's five leading sensing equipment producers. Promservis increases output 1.5-2times per year. The enterprise delivers its products to 70 Russian regions, Ukraine, Moldavia, Kazakhstan and Uzbekistan.

Oil/Natural Resources

Ulyanovskneft Oil Company's 2000 operation results. Throughout 2000 Ulyanovskneft Oil Company extracted 286,000 tons of oil, which exceeded last year's figures by 20 percent. The plant is based in the Novospassky district and provides a lion's share of budgetary revenues.

Transport&Logistics

Heavy Lift - Volga-Dnepr Ltd. JV to be scrapped. CEO of the Ulyanovsk-based Volga-Dnepr Air Company, Aleksei Saikin, has announced the liquidation of the Heavy Lift - Volga-Dnepr Ltd. joint venture established ten years ago with Britain's Heavy Lift.

The joint venture was created with the primary goal of promoting Russian An-24-00 Ruslan aircraft in international cargo transportation markets. The British partner provided its marketing know-how.

The objective has been fully reached, and from now on Volga-Dnepr intends to operate internationally on its own. However, the company is determined to further cooperate with Heavy Lift in marketing.

Some time ago the Ulyanovsk-based air carrier established two subsidiaries in Great Britain and the United States.

International

Canada's International Development Agency visiting the Ulyanovsk region.

Canada's International Development Agency has visited the Ulyanovsk region. The visit aimed at supervising the implementation of Russian-Canadian joint projects. The Ulyanovsk region is carrying out two projects, specifically the creation of a social-business center and an innovation center for clothing producers.

Vladimir Report

Economic Indicators/Statistics

Foreign investments in the Vladimir region. According to official information provided by the local State Statistics Committee, glass, energy and food were the three biggest industries for foreign investors in 2000, it was reported. The investments constituted US\$9m, US\$6m and US\$2.8m respectively.

Wood and wood working industries received about US\$1.3m. Machine-building and metalworking, industries that constitute 42 percent of the region's industrial output, got less than US\$18,000.

Vladimir is still the number one region for foreign investment from the USA and Great Britain.

Vladimir region's total industrial output. The Vladimir region's Statistics Committee has reported the region's industrial operation results for the year 2000.

The region's industrial enterprises generated US\$4.4bn worth of goods and services. This is a 23.8-percent increase from 1999. Machine-building and metalworking industries were 42.2 percent of the total output.

Sales amounted to US\$1.2bn, a 21.6-percent rise from the previous year.



Volgograd Report

Trade

Region's foreign trade turnover in 2000. The Volgograd region's foreign trade statistics for 2000 has been made public recently. Exports increased 77 percent and stood at US\$1.07b. Imports grew 33 percent to US\$258.5m. This is official statistics provided by the Administration of the Volgograd Region.

The regional chemical, petrochemical and metalworking companies contributed to the bulk of turnover. Primary fuels amounted to

38.1 percent of exports, growing by US\$100m over the year, while ferrous and nonferrous metals and metal products made up 34.2 percent of exports.

Volgogradsky Aluminii and LUKoil-Nizhnevolzhskneft were the region's most active and sizable exporters. Germany, Yugoslavia, Greece, Britain, Canada and Cyprus made the largest investments in the region. The region was also intensifying economic cooperation with CIS countries, with Ukraine and Caucasian states as priority areas.



Yaroslavl Report

Automotive Industry

The Tire Plant to produce tires for Nizhny Novgorod's GAZelle vehicles. The Yaroslavl-based tire-making company has completed the development of a new type of tires.

The 185/75R16 model is to replace the 462 one, used previously for Nizhny Novgorod's GAZelle low-tonnage trucks and minivans (GAZ Automotive Works), but it will retain the same tread configuration.

The company is soon launching the mass production of this type of tires. A contract for tire supplies to GAZ has already been signed.

UralAZ to meet Euro-2 standards. Ural Automotive Plant (UralAZ) has announced its plans to produce an experimental, 200-unit batch of Ural-4320 trucks equipped with environment-friendly engines from Yaroslavl Engine Plant (YaMZ).

If successful in preparatory work, UralAZ is expected early next year to start mass-producing its 6x6 vehicles with Yaroslavl-made 236HE2 engines that meet Euro-2 ecological standards. YaMZ is ready to launch the full-fledged production of this type of engine by the third quarter of 2001. The novelty features improved fuel injection characteristics, lowered oil consumption, a turbo-supercharger. The combination of design solutions will help reduce air pollution.

Belarus tractors to be assembled in Yaroslavl. Alexander Fyodorov, deputy governor of the Yaroslavl region, unveiled plans to launch locally the assembly of tractors

under the MTZ Belarus brand name.

A pertinent deal was struck in late-February during a visit by a Yaroslavl regional delegation to the Minsk Tractor Plant, Republic of Belarus.

According to Mr. Fyodorov, the premises of the former Selkhoztekhnika State Enterprise in the Yaroslavl region will be used for assembly. The project is to involve the Yaroslavl Tire Plant and the Lakokraska Paint and Varnish Plant.

In fact, the region has long been intensifying cooperation with Belarus. Under a joint project, Yaroslavl has already assembled about 70 passenger buses under the MAZ brand name.

Banking and Finances/Taxation

Vodokanal supported in its water supply facility upgrade project. The European Bank of Reconstruction and Development (EBRD) is to issue a US\$1m grant to the municipal-owned Vodokanal Company to upgrade municipal water supply facilities.

Yaroslavl is also expected to get a US\$15m loan to be repaid within 15 years for the upgrade of the city's service lines.

Consumer Goods industry

Yaroslavl region's Balkanskaya Zvezda Tobacco Factory cooperating with Kyrgyzia. On February 6, 2001, Yaroslavl region's Balkanskaya Zvezda Tobacco Factory signed a cooperation agreement with the Oshskaya District of Kyrgyzia.



Major sections of Volga Watch

Forecasts for Russia, Volga basin and regions:

Current Situation, Trends and Outlook
Risks and Their Assessments

Economic Prospects by Region and by Sector

Politics:

Political Landscape,

Actors & Developments

Threats to Stability vs. Stabilizing Factors

Foreign and Interregional Policies:

Policies & Strategies

Contacts & Ties

Preferences & Influences

The Large Volga Association Diary

Investment:

Investment Climate

Policy on Foreign Investment

Legal Basis

Incentives & Obstacles

Intl. Business Support Infrastructure

Joint Projects

Business Environment:

Structural Reforms

Legal Regulatory Basis

Trade • Infrastructure

Labor Market

Education

Environmental Considerations

Social Sphere

Crime • Taxes

Economy:

Economic indicators

Statistics

Corporate Profitability

Real Estate & Property

Banking and Finance:

Regional Finance

Banking Infrastructure & Services

Debt & Equity

Regional Security Markets

What's New in Your Industry:

Automotive

Aviation & Aerospace

Business Systems & Computers

Chemicals & Petrochemicals

Public Utilities

Environment Protection

Construction & Property

Consumer Goods, Wholesale & Retail

Defense Industry & Conversion

Food, Drinks & Beverages

Electrical Equipment

Healthcare & Pharmaceuticals

Insurance • Mass Media

Metalworking & Processing

Mining & Metallurgy

Natural Resources

Petroleum & Gas

Power & Energy

Railroads

Science & Technology

Services

Telecommunications

Textiles, Clothing & Leather

Tourism

Transportation & Logistics

Wood, Pulp and Paper

Case Studies:

Why a Failure?

Success Stories

This cooperation began during the Soviet regime. At present Balkanskaya Zvezda receives 2,000 tons of raw material from the Republic of Kyrgyzia yearly. The enterprise has recently opened a new production line. Throughout 2000 Balkanskaya Zvezda generated 23.5bn of tobacco products. In 2001 the expected amount of taxes is US\$35.7m.

Fuel/Energy

Yaroslavl Engine Plant to produce small-sized power units. Designers at the Yaroslavl Engine Plant have worked out specifications for diesel-generators, which are in demand nationwide.

Some orders have already been executed. The unit capacity is 60kW. A power plant like this is capable of supplying electrical energy to a multi-story apartment building.

The enterprise is also offering higher-capacity power stations. To keep up with wave after wave of orders, the management has decided to transfer some of diesel-generated production lines to the neighboring city of Tutayev at the premises of a local experimental repair facility. The Tutayev-based enterprise is to engage in the production of mobile power stations.

Rybinskiye Motory to engage in diesel generator production.

Rybinskiye Motory, a powerful aircraft engine producer in the city of Rybinsk, Yaroslavl Region, decided to begin the mass production of gas generators using PS-90 engines.

YaNOS Oil Refinery being ISO certified. The first stage of the ISO-9001 cer-

tification has been completed by the Yaroslavl-based YaNOS Oil Refinery.

YaNOS is one of the first companies to launch production of Premium-95 automobile petrol, which is popular in Western Europe. Yaroslavl's aviation fuel is also purchased by British Airways, Lufthansa and other European air companies.

Slavneft-Yaroslavlnefteorgsintez Oil Refinery's final stage of reconstruction.

In 2001 the final stage of Slavneft-Yaroslavlnefteorgsintez Oil Refinery's reconstruction will be carried out. This has been made possible after receiving a credit from the Japanese.

The company also engages in oil production. It will operate at oil deposits situated in Iraq and Azerbaijan this year. Oil extraction is expected to amount to 15m tons.

Transport&Logistics

Baltic pipeline system to run forward. The Yaroslavl region intensifies its input into a 1,000-km pipeline network referred to as the Baltic Pipeline System.

One-fifth of the system is to run through the region's three districts. Builders have already completed an underwater section in the proximity to the town of Myshkin. Cutting-edge technologies are being used, for example, a biased directional drilling technique elaborated in cooperation with Germans. The method involves the laying of pipes across the Volga River below the bottom level. The Russian-German Vis-Mos JV has laid a huge 1,100-m-long pipe, 700 mm in diameter, which will start transporting oil next week already.

BUSINESSMAN'S SURVIVAL KIT:

NIZHNY NOVGOROD, RUSSIA

Basic information a businessman needs for navigation and survival in a local business environment. Continuously updated and tailored to foreign businessmen's areas of interest, it can be fully customized to meet YOUR specific requirements and complemented by in-house briefings and presentations.

Also available in .pdf and .html formats on the Vista Group-maintained BusinessWatch.RU Internet site (www.businesswatch.ru/kit-nn)

For a hard copy please call 7 (8312) 317-838 in Nizhny Novgorod or e-mail vista@nnov.cityline.ru

Vista Publishers is placing important information received from its readers and subscribers in issues of the Volga Watch Business Monthly and other publications.

Vista Publishers will also complement Volga Watch with ads by placing a separate booklet in one pack with Volga Watch issues.

Interested in disseminating information to Volga Watch readers? Then contact Editor, Oleg Kouzbit, for details.